

Doing the Right Thing the Right Way

An Interview with Marc B. Lautenbach, President and Chief Executive Officer, Pitney Bowes Inc.

EDITORS' NOTE Marc Lautenbach assumed his current post in December 2012, and is a member of the Board of Directors. Before joining Pitney Bowes, he spent 27 years at IBM. Lautenbach's tenure at IBM included senior positions, leading the consulting and systems integration business in North America, sales in the Americas, and leading the small and medium business globally. In addition, he held senior executive positions at IBM Asia Pacific. Lautenbach was



Marc B. Lautenbach

elected to the Campbell Soup Company Board of Directors in June 2014. He is also a member of Catalyst, Inc., and a member of the Board of Trustees at Denison University. He graduated magna cum laude and Phi Beta Kappa from Denison University, and went on to receive an M.B.A. from the Kellogg Graduate School of Management at Northwestern University.

COMPANY BRIEF Pitney Bowes (pitneybowes.com) is a global technology company providing commerce solutions that power billions of transactions. Clients around the world, including 90 percent of the Fortune 500, rely on the accuracy and precision delivered by Pitney Bowes' solutions, analytics, and APIs in the areas of e-commerce fulfillment, shipping and returns; cross-border e-commerce; office mailing and shipping; presort services; and financing. For 100 years, Pitney Bowes has been innovating and delivering technologies that remove the complexity of getting commerce transactions precisely right.

Pitney Bowes is celebrating its 100-year anniversary. Will you discuss Pitney Bowes' history and what have been the keys to the company's ability to stay relevant and current?

The 100th anniversary is a remarkable milestone for a company that began on April 23, 1920, when Arthur Pitney, the inventor, and Walter Bowes, the promoter, first met and put their ideas together to invent the first postage meter – the award-winning Model M, creating the “metered mail” market and a new industry with it. These two very different men started something rare in the history of business – together they combined creativity with business sense and created a company. Today, Pitney Bowes has a living legacy of always innovating, adapting and striving to do better.

Over 100 years, the combination of creativity with business acumen enabled Pitney Bowes to pioneer innovations for over one million clients through several decades, beginning with the postage meter to pushing the boundaries of global e-commerce. Pitney Bowes has remained relevant by continuing to evolve over several decades through steady streams of innovation and upskilling, and through strategic mergers, acquisitions and divestitures. Now, we have fully embraced shipping and financial services as additional pillars of our business.

The Pitney Bowes Century was built upon the radical idea that doing the right thing the right way can be the centerpiece of a sustainable business model. It has defined Pitney Bowes from the beginning and will guide us into our second century.

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How critical is culture to Pitney Bowes' success and how do you describe the company culture?

Through our century of innovation and progress, one thing has never changed. Pitney Bowes will always be a company driven by values. From the beginning – founded on innovation and powering commerce from day one – we have sought to do the right thing the right way for our customers, our people, and the world around us.

There is a certain resilience and “grit” to this company which has enabled Pitney Bowes to endure. This grit is built on a culture of innovation that has created and helped reinvent this company many times over. For example, for the first time ever, a majority of revenue (51 percent) was

generated by our global e-commerce business last quarter. These values have sustained Pitney Bowes for the first 100 years and will be foundational for our second century.

Pitney Bowes is not necessarily a household name. Is brand awareness important and is the critical role that Pitney Bowes plays for global commerce well understood?

While Pitney Bowes might not be a household name, we are a \$3.2 billion company and one of the most important in the world, providing commerce solutions that power billions of transactions in the areas of e-commerce fulfillment, delivery and returns; office mailing and shipping; presort services; and financing. Global businesses and government entities, including 90 percent of the Fortune 500, rely on Pitney Bowes' innovative technology and solutions to help drive their business.

That said, there are lots of companies that are in the e-commerce world. However, Pitney Bowes is one of the few that combines physical and digital capabilities that are specifically built around business-to-consumer e-commerce. Our 100-year relationship with the United States Postal Service is an important point of differentiation for our business. In fact, almost 50 percent of all USPS first class mail volume goes through Pitney Bowes – we're the fourth largest partner of the service. The company processes over 140 million parcels per year and more than 17 billion pieces of letter mail. Chances are you received a letter or parcel processed by Pitney Bowes today.

Pitney Bowes has remained entrepreneurial with the ability to change and transform its business. How are you able to do this at the size and scale of the business?

Throughout our 100 years, we have supported millions of clients around the world, contributed significantly to our communities where we live and work, and invented industries and business models that have endured and evolved for decades. Pitney Bowes has been an innovation company – creating a technology and an industry 100 years ago.

More recently, Pitney Bowes innovated a business model combining the power of our mailing franchise with a strong financial services business. The combination of the two was an economic juggernaut. But if you are going to

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continue to be successful, you need to continue to innovate. As a result, Pitney Bowes has created three \$100 million businesses from scratch in the last seven years, substantially transformed and automated almost all of our business processes, and created a cloud infrastructure to deliver our key offerings.

More recently, in the last seven years, Pitney Bowes' e-commerce division grew from one client, zero physical operations, generating \$12 million in revenue, to a staggering 629 retail and marketplace clients, 17 fulfillment, delivery and returns facilities and generating over \$1 billion in annual revenue. Ultimately, if a company is going to continue to exist, it must continually innovate.

Where is Pitney Bowes in the process of your transformation journey?

I would say we are in the final “chapters” of this transformation. Pitney Bowes has found logical adjacencies – shipping and financial services – to build our mail franchise, and we have moved the company to growth. Now we are focused on driving profitable revenue. That said, successful companies, companies that are able to achieve longevity, are constantly transforming. So I'm sure there will be another transformation after this one.

How is Pitney Bowes adapting its business to meet the crises facing the world today?

You don't reach 100 years in business without facing challenges, disruption and uncertainty at one time or another. Throughout our long and storied history, we have confronted difficult times, including the Great Depression, World War II, and the Great Recession of 2008. Our 100th year certainly hasn't been the year I envisioned. We had two cyber incidents, a pandemic, the greatest economic dislocation since the Great Depression, and social unrest addressing the serious problem of racial injustice and inequality in the United States. However, times of crisis are always times of opportunity. Our focus has been, and will continue to be, to come out of this unprecedented chapter stronger. Through these crises, our teams continue to carry great pride in the work they do to power commerce and secure the foundation we've built for our second century. We will continue to keep our focus on the long term.

That said, it is hard to know how clients' needs will evolve after we get through this pandemic, but I expect that e-commerce,

digital channels and digital offerings will become even more important. Typically, these types of events accelerate existing trends, and I'm sure this pandemic will do that and probably create some new trends that we will need to adapt to in the coming months.

How do you describe your leadership style and what do you see as the keys to effective leadership?

In 1950, Pitney Bowes CEO Walter Wheeler said, “Do the right thing.” We modified that thought slightly by adding, “Do the right thing, the right way.” The essence is the same but acknowledges that if you do the “right thing” the wrong way, you haven't really been true to the original sentiment. Our value of “doing the right thing the right way” informs every decision and every action I make as the CEO. We don't always get it right, but we are mindful of the incredible legacy of this company. I think effective leaders do the right thing the right way and focus on building an inclusive and innovative culture.

How critical is it for leading companies to be purpose driven and to focus on more than just the bottom line?

Last summer, I, along with most other members of the Business Roundtable, signed on to a statement on how successful companies thought about long-term growth. I believe you cannot create long-term value for your shareholders if you do not treat your clients correctly, treat your employees well, have appropriate governance and are good corporate citizens.

I signed the BRT statement for a number of reasons. The new statement reflects my view of how corporations create long-term value. I believe strongly that it is impossible to do right by shareholders if you don't provide value to your clients, create a great place for your employees to work, and support your communities. If you look at organizations with our kind of longevity, they tend to have a sense of purpose beyond themselves and a value system that's ingrained in the fabric of the business. You need a good market, good technology and a good business model too.

If you look at any company that's more than 100 years old, it will have good values at its core, too. At Pitney Bowes, our focus and purpose is to do the right thing the right way and to continue to innovate so that we provide the best value possible to all of our stakeholders, including stockholders, employees, and our community.

Will you discuss Pitney Bowes' commitment and efforts to build a diverse and inclusive workforce?

At Pitney Bowes, people matter. They always have. We celebrate the diversity of our more than 11,000 employees worldwide and work to create an inclusive environment where all belong and have opportunities to grow and make a difference. In fact, Pitney Bowes has a long history of diversity. In 1942, women were more than a third of our workforce. Today, women represent 43 percent of our U.S. workforce, and half of the independent directors on our Board. This year, *Forbes* magazine has recognized us as among America's Best Employers for Diversity, as well as a Best Employer for Women for the third consecutive year. We also are included in Bloomberg's 2020 Gender-Equality Index for the second consecutive year.

I think of diversity and inclusion in two dimensions. The first dimension is that most great innovation involves diverse teams. This is true for lots of different reasons. Teams with different skills and life experiences see problems from different perspectives, and these teams see markets in different ways. For these reasons, diversity and inclusion has been seen, appropriately, as an economic good that creates value. Secondly, it has also become very clear to me that building diverse and inclusive teams is just the right thing to do, regardless of the commercial calculus. It's just the right thing to do for society and for our communities.

What advice do you offer to young people beginning their careers during this challenging and uncertain time?

The best advice I have ever received was to stay true to yourself, and that has worked out for me. I think if people believe you're authentic, they may or may not subscribe to your particular form of authenticity, but inevitably you'll get people that do. So I would tell young people who are just beginning their careers to be true to their authentic selves. Then, I would say that they should seek employment in a field that interests them, is quick to evolve and allows for innovation. If I've learned anything in all my years of business and leadership, it's that overcoming challenges and evolving to the changing world is key to being successful. I would add they should seek out a company that believes in doing the right thing by their employees and their clients. All people should seek employment that makes them feel valued. ●