

# Cover Feature

## Giving Back

An Interview with Sanford I. Weill,  
Chairman, Citigroup, Inc., New York

**EDITORS' NOTE** After graduating from Cornell University, Sandy Weill co-founded the securities brokerage firm Carter, Berlind, Potoma & Weill, which later became Shearson Loeb Rhoades and was acquired by American Express in 1981, while Weill was serving as the firm's chairman. He proceeded to serve as president of American Express and chairman and CEO of its Fireman's Fund Insurance Company subsidiary. In 1986 he was appointed chairman of Commercial Credit Company, which, through a series of acquisitions, changed its name first to Primerica Corporation and then to the Travelers Group. In 1998, during Weill's tenure as chairman and CEO of Travelers, the firm merged with Citicorp. Weill served as CEO of the merged company, Citigroup, until October 2003, when he assumed his current position.

Among Weill's numerous professional affiliations, he has served as a director of the Federal Reserve Bank of New York (2001) and as a director on the boards of United Technologies Corp. (1999-2003), AT&T Corp. (1998-2002), and E. I. Du Pont Nemours and Company (1998-2001). The 1997 recipient of the New York State Governor's Art Award, Weill has been chairman of the board of trustees of Carnegie Hall since 1991, is a director of the Baltimore Symphony Orchestra, and is chairman of the board of overseers for the Joan and Sanford I. Weill Medical College and Graduate School of Medical Sciences of Cornell University. He recently became chairman of the Committee to Encourage Corporate Philanthropy.

**COMPANY BRIEF** Headquartered in New York, Citigroup, Inc. (NYSE: C), is a leading global financial-services company with approximately 200 million customer accounts. With offices in more than 100 countries, the company provides consumers, corporations, governments, and institutions with a broad range of financial products and services, including consumer banking and credit, corporate and investment banking, insurance, securities brokerage, and asset manage-

ment. Major brand names in Citigroup's extensive portfolio include Citibank, Citi-*Financial*, *Primerica*, *Smith Barney*, *Banamex*, and *Travelers Life and Annuity*. The company reported net income of \$17 billion in 2004.

**You're known as a hands-on executive, having run successful businesses for decades. Was it difficult to shift out of that gear and become a hands-off chairman?**

A little bit. As chairman, I am not involved in the day-to-day operations of the business. Officially, I haven't been since the end of September 2003, but that change really took place on the day we announced the board's succession plan.

When my job changed, I filled the void by increasing the work I do in the not-for-profit sector. I'm chairman of the Weill Cornell Medical College, and we are creating an affiliation with Methodist Hospital in Houston. I think we're the first big medical institution to go national. We also built a medical school in Qatar. We're in our third year there, and it's doing very, very well. In addition, I'm chairman of Carnegie Hall, where we have set up a new music-education institute. I'm also chairman of the National Academy Foundation, which supports about 50,000 students in 670 schools in 40 states – around 90 percent of them go on to further education. Furthermore, I'm chairman of the Committee to Encourage Corporate Philanthropy, and I'm working to help build an endowment for the Legal Defense Fund. So I have kept very busy, and my hands-on approach is now directed toward other places: helping poor people whenever I can. I love this company – it has been a very important part of my life – and I love the people who have gone on to run it. But my own work here has changed.

**Has giving back always been part of your life? How did that side of your personality develop?**

The first philanthropic organization I got involved with was the National Academy Foundation, which started as the Academy of Finance in the late '70s. At that time, a lot of financial companies,

especially Wall Street companies, were thinking of moving their operations out of New York because it was hard to find people to work in the city, and there was so much employee turnover. Yet, when you drove around the city, you saw all these kids out on the street with no idea about what they were going to do with their lives. So that gave me the idea of speaking to then Chancellor Frank Macchiarola, at the Board of Education, about creating a public-private partnership through which the private sector would have an input in creating the curriculum. I thought the curriculum should relate to today and tomorrow, rather than 100 years in the past. He agreed, and the program started in 1980 at John Dewey High School.

Around that same time, American Express bought my company, and during my time at American Express, I learned a lot about giving back. One of the directors there got me involved in Carnegie Hall, and then I got involved in the Weill Cornell Medical College. I've worked for nearly 50 years building a great company. In the process, I've built my own net worth and had a good time, and now I want to see if I can give that money away.

**Corporate citizenship appears to be very important not only to you, personally, but also to Citigroup. How central is it to the mission and the culture of the company?**

It's very important. For a very long time, the company has focused on encouraging its employees to spend some of their time in their local communities working with not-for-profit organizations. These efforts make our communities better places to live and work, provide our employees a real sense of pride, and develop stronger bonds between the employee and his or her community. Although it sounds illogical, the busiest people are often able to do more things than those who are not so busy. We support our people all over the world in their philanthropic efforts, and I think we've done a very good job in that. Last April, when Chuck [Charles O. Prince, Citigroup CEO] unveiled Citigroup's new \$200-million, 10-year commitment to financial liter-

acy, he also announced that each employee would be given one day off each year to do nonprofit work. I am particularly excited about the work we are doing and what is planned for the future in financial education and micro-lending.

**In the past, many companies would promote corporate philanthropy with the principal aim of shining the spotlight on themselves. Does true corporate philanthropy have to be instituted as a part of the mission of the company?**

I think it's a very good idea to build it into the mission of a company, because the more human a company becomes, the more people will try to understand it. And the more people will want to work for and do business with that company. After all, a company is not only an organization that provides customers with services or goods; it is also an organization that can make a major contribution to its community, by reaching out in a variety of different areas where help is needed.

**Returning to the succession plan you mentioned earlier, was it difficult for Citigroup employees to take on board all the changes after the plan was announced? Did they understand the purpose of the transition?**

Our approach was to make the changes when nobody expected anything. Some people thought I would continue as CEO for another year and a half or two years, or even die at my desk. Because we announced the succession plan when nobody thought it was going to happen, nobody had the opportunity to play bad politics or become enemies.

Everybody has a different management style, and Chuck and Bob [Robert B. Willumstad, Citigroup COO and president] have different styles from mine. But Chuck is incredibly bright, and Bob is too, so I feel comfortable that they will do a terrific job.

**Citigroup has consistently shown steady growth, despite challenges in the global market. How have you achieved such impressive results?**

We have a unique position in the financial-services industry in that we are more global than any other company. We've continued to make major investments overseas. For instance, three or four years ago we bought Banamex, which is the largest bank in Mexico, and it has been growing dramatically since that time. Around 35 percent of our earnings come from overseas, and as world trade continues to grow, we are witnessing the emergence of a middle class in a lot of developing economies. Our company has very big consumer and corporate-banking businesses in those countries, and we continue to benefit from both those segments.

**Taking a global perspective, how important is China to your business?**

I think that, so far, China has done a fantastic job in migrating to an open-mar-

ket system without saying that the whole country has to do the same thing at the same time. You really have to marvel at what has happened in that country so far. Ten or 20 years down the road, China is going to be a global leader, not just a leader in Asia. While the United States has a big negative trade balance with China at present, China has a big negative trade balance with other Asian countries. I think it's fair to say that China has been an engine for growth in many parts of Asia.

**Latin America has a reputation for market volatility. Are you optimistic for growth in that region?**

addition, high energy prices have been a boon to the treasury in Mexico, giving the Mexican government the ability to follow through on its plans for the country.

As far as the rest of Latin America is concerned, there are a number of areas that offer great potential. One country that's really doing a terrific job is Brazil. Indeed, we recently announced that we are planning to increase our ownership of a credit-card joint venture in Brazil from a third to a half. Lula [President Luiz Inacio Lula da Silva] is really uniting all constituencies to get that country moving in a good direction.



I think people need to see Mexico as distinct from the rest of Latin America. Mexico borders the United States, and the fastest growing demographic in the U.S. is the Hispanic population. So there are major connections between Mexico and America, not least through the large number of Mexican Americans. I think those connections will continue to grow. And, in

**You mentioned your joint venture in Brazil. In international markets, are joint ventures and partnerships a key focus for the firm?**

Broadly speaking, our preference is to grow our own businesses. Whether we do that on our own or through acquisitions – as we did in Poland, Korea, and Mexico – is determined on a case-by-case basis. In cer-

tain countries, there are limits to how much of a local company a foreign company can own. For example, India – which is another country with very good potential and a lot of people – limits the proportion of foreign ownership in certain types of local companies. When that is the case, we inevitably have to look at joint ventures.

**On the human-resources side, have you been able to find local people with the expertise you need in most of your international markets?**

Yes. We operate in about 102 countries, and I would say that more than 95 percent of our employees in those countries are from those countries. So our businesses are staffed mainly by local people. We have also found that, unlike Americans, people from other parts of the world are used to traveling. They often move from continent to continent more willingly than somebody from New York might move across the Hudson River.

**Domestically, is growth still strong? How optimistic are you for the U.S. market?**

The U.S. economy seems to be doing well. Inflation continues to be under control and interest rates are still low. I think those factors augur well for the continuation of mergers and acquisition and underwriting activity, which is good for our corporate business. Credit losses continue to be at a relatively low rate, because the economy is doing well. On the consumer side, I think that U.S. consumers have improved their balance sheets a lot over the last five years, by refinancing their home mortgages and paying down other debt. Through the growth in the value of their housing and the stock market, they feel like their balance sheets are healthy. So, generally speaking, I think the outlook for the U.S. economy is good.

**In the financial-services arena, products and services can sound very similar from company to company. How difficult is it to differentiate?**

I think that financial products, in and of themselves, are not that unique. Companies differentiate by having a great brand, excellent customer service, and by having a good back office and a fast response time. In our case, we also have more businesses than our competitors in more parts of the world. Because of that, we have the unique opportunity to be more helpful to our corporate and government clients than companies that don't have on-the-ground positions in those overseas markets.

In our consumer businesses, we have leadership positions in credit cards and consumer finance. Because of that, we have the advantage of scale, which enables us to be a low-cost provider. This is a crucial differentiator: We think that a company needs to be the lowest-cost provider of the best-quality goods and services in order to be a long-term winner.

**Does a company also need to be**

**a certain size and scale in order to succeed? Do you foresee continued consolidation in the industry?**

I think a company needs to be a certain size and scale to create efficiency, and also to create enough earning power to enable it to continue to invest in technology and in modern systems. That's the only way a company can be a leader 10 years down the road, rather than just today. So I expect there will continue to be consolidation in the financial-services industry, both within countries and cross-border.

That having been said, size isn't everything. I don't think a company necessarily has to be big to be successful in the financial-services business – it just has to be good. There will always be opportunities for entrepreneurs to start things up and be successful in this business.

**Do you think the financial community adequately understands the vision of Citigroup?**

I think very few CEOs or chairmen think that their company is appreciated or understood by the analyst community to the extent that it should be. My feeling is no different.

**After the scandals that have blighted the reputation of U.S. business, are you optimistic that corporate leaders – and the business community at large – will be able to show that integrity is now pervasive?**

This issue does concern me. It's very important, and I think it concerns most businesses. There's no doubt that the high-profile scandals caused some real changes to corporate governance. Having said that, it must be remembered that very few businesses have actually done anything wrong. I think that what will come out of Sarbanes-Oxley and the new regulations is a lot more transparency around what's happening in companies and how they are run.

We made major changes to our governance procedures in 2002, in response to issues that came out about our industry, and we continue to make changes. For instance, we have created a lead director. About 70 percent of our directors are completely independent, and our governance committee is 100-percent independent. Moreover, our audit committee is very engaged in what is happening in our company, and it now has subdivisions, so that independent directors can focus on different parts of the business.

We attracted two very bright new directors to our board last year: Anne Mulcahy, who has done a terrific job at Xerox, and Judith Rodin, who did a terrific job at the University of Pennsylvania and is now head of the Rockefeller Foundation. I think that they will make an important contribution. We are looking to expand our board further by appointing directors with a more global perspective. As some of our directors reach retirement age and migrate off the board over the next couple

of years, we want to get bright young people involved as early as possible, so that the interaction between the management and the board doesn't miss a beat.

**Some CEOs talk about the pressure that Sarbanes-Oxley has put on their time. Do you ever worry that governance is taking time away from strategy and other key areas?**

I think that business in the United States always goes in cycles. There was a period when not enough attention was paid to governance, and reputations were put at risk. I think a lesson was learned. This is a great, sensible country, and I have no doubt that we will achieve the right balance in this area.

**On the people side, is it difficult to attract the talent the company needs? Are young leaders of tomorrow joining the banking industry?**

The answer to that is a resounding yes. For example, a year ago M.B.A. students voted our company number two of all the companies in the world that they'd like to work for. You can understand why when you consider that countries like China, India, Russia, and Brazil are growing and prospering, and are more interested in trading with each other than in going to war with each other. The financial-services industry is right at the fulcrum of developing the capital and consumer markets in those countries. I think that people will always be attracted to an industry that is a leader of global growth.

**You have had a long and illustrious career in financial services. What would your current and former colleagues say about their experiences of working with you over the years?**

I hope they would say that I was somebody who cared a lot, who never asked anybody to do anything that I wasn't willing to do myself, and who was very interested in building a team approach and a family environment, so we would all feel proud of what we were able to achieve.

**You have had so much success and are involved in so many things. Do you ever take the time to appreciate all you have accomplished?**

I love getting letters of appreciation and I take the time to read them. I hate to sound like I'm bragging, but I think my wife and I have been very lucky. This June, we'll have been married for 50 years. We're really partners. We've gone the whole way together; neither of us outgrew the other. We complement each other, and it has been a very good life. I feel very lucky to have been born in this city, in this country, and to have had these kinds of opportunities.

**Will you ever slow down?**

I'm pretty healthy, even though I'm a little overweight. I focus on keeping my mind active, and I always enjoy spending time with my wife and our grandkids. We're lucky that our family lives near us. All in all, I have a very good life. ●