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It's a great honor to be here today. The Naval Academy and the Marine Corps were crucibles for me, and I'd like to believe I emerged from that process as well-forged steel. The jury was still out during my Academy days, though, and it's possible they are deliberating even today. But at least I can offer you some assurance that I am an experienced Naval Academy speaker. When I was a Midshipman, they had a program aimed at recruiting new talent by reaching out to high-school guidance counselors.

Several of the most outstanding Midshipmen were asked to make presentations to the visiting counselors on the merits of sending their best and brightest students to Annapolis. Unfortunately, our model Midshipmen were very intimidating because they were such impressive individuals. In fact, they were so extraordinary the counselors began to harbor second thoughts about how their own valedictorians and class presidents would ever measure up. That was where I came in.

During my first class year, I was asked to supplement the efforts of the model Midshipmen as a less-than-model performer. As an added inducement, they promised that I would be excused from the formal after-dinner speaking program that all Midshipmen had to endure as a graduation requirement. Never one to miss a Navy good deal, I signed up. In no time at all, the guidance counselors who heard me speak returned home filled with a renewed sense of confidence that their best students were more than capable of succeeding at the Academy.

This morning, I hope to be at least that effective in communicating some of the challenges of being a leader in a large, international organization. I'll also offer a few words about the keys to developing future leaders, and then will be happy to respond to your comments and questions.

Let me say at the outset that the views I express today are my own, and not necessarily those of my employer, my wife or even my friends.

Most of you may already be familiar with ExxonMobil. But for those who may not follow our industry, some perspective might be helpful. ExxonMobil is the world's largest publicly owned energy company. Last year, we earned more than \$25 billion, setting an all-time record for profitability by a publicly traded corporation. Our 87,000 employees live and work in about 200 countries and territories, including a significant number here in the United States.

I am currently the head of the company's Washington, DC office – a job I have had for about a year. It is also my first assignment focused on U.S. domestic business in almost 30 years in the energy industry. In this position, I oversee the company's federal government relations and also manage our international government relations group. As my three-decade stint focused outside the United States attests, my working life has been spent in the international arena, with a special focus on the Middle East.

Against that background, let me put two things on table right at the start.

First, because of its size and importance to people throughout the world, the oil business is not immune from critics, some of whom are irrational.

Second, the Middle East continues to attract the world's attention because of a minority that engages in damaging behavior and worse. Thus, if you work in the Middle East oil business, you are a lock to be around a lot of craziness. This also means I have been well prepared for life in Washington, where everything seems to drive someone or the other crazy, and where special interests are the rule rather than the exception.

For the four-and-a-half years before my move to Washington, I was the CEO of ExxonMobil Saudi Arabia – a company that on a stand-alone basis earns more than \$1 billion per year when times are good, and is also the third-largest company in the Kingdom. ExxonMobil is by far the largest foreign investor in Saudi Arabia, and we are the largest customer of that country.

So, for many years there has been a great deal of common ground between Saudi Arabia and ExxonMobil, and the business there is an unquestionable success. Nevertheless, as you all know, the 9-11 attacks and other events that followed created tremendous stresses and strains and presented significant leadership challenges.

When my wife and I moved to Riyadh in 2000, personal safety was not high on the list of considerations for us. Desert Storm had receded into the rear-view mirror, Saddam Hussein seemed well contained by the sanctions and the U.S. military, and terrorism was only a marginal concern. The failure of the Camp David peace talks between President Clinton, Prime Minister Barak and Chairman Arafat was a disappointment, but at the time, it seemed far removed from life on the Arabian Peninsula.

Then, in the fall of 2000, a chain of events took place that seemed to take on a life of its own. On September 28, Prime Minister Sharon made a visit to the Temple Mount, Judaism's holiest place, which also happens to be the location of one of the three holiest sites in Islam, the Al Aqsa Mosque.

The Palestinian intifada restarted almost immediately. Shortly after, Al-Qa'eda attacked the USS Cole in a Yemeni harbor. And then, on September 11, 2001, thousands of people were murdered in New York, Washington, DC, and Pennsylvania by Al-Qa'eda terrorists, most of whom were Saudi nationals. From that point on, America's relationship with the host-country government that I so routinely dealt with was deeply conflicted.

The Band-Aid that had more or less covered the resentments of the Kingdom's most radicalized Wahhabi fundamentalists was ripped off. We started receiving ominous security warnings from the U.S. government and the Saudi authorities. Tensions in the region increased as plans for a U.S.-led invasion of Iraq, opposed by almost all Arabs in the region, became clearer. And then the war began.

In May 2003, Saudi terrorists conducted simultaneous car bombings of three separate Western housing compounds in Riyadh. Many expatriates were killed, and ExxonMobil people were

injured. Saudi Arabia became to a considerable extent an armed camp as a state of low-level war existed between the Saudi authorities and the terrorists in the country.

Now, by the time I had moved to Riyadh in 2000 I had more than 20 years of international management experience under my belt. I was seasoned and I was confident. I'd managed a number of challenging businesses, had extensive Middle East and other international experience, and was genuinely comfortable in that setting, which seemed like a second home.

However, nothing I had done had prepared me for the challenges that began in late 2000. Of course, my plate would have been full simply doing the things that most people would say were my real work. I was responsible for the performance of huge investments in refining, petrochemical, and marketing assets.

At the same time, I played a central role in negotiations for the Saudi Natural Gas Initiative, where ExxonMobil was the leading company in two consortiums of international oil companies seeking a return to participation in the largest upstream resource base in the world.

ExxonMobil's workforce in Saudi Arabia had all the appearances of a miniature United Nations. The majority comprised Muslims from Saudi Arabia, Pakistan, India, Bangladesh, Chad, Yemen, and many other countries. Most of the Westerners were not American. They were English, French, Australian, New Zealanders, Norwegian, Canadian, and German. Add to that Christians from Eritrea or Ethiopia, Hindus from India, and a mix of other non-Muslim groups from all parts of the world, and you had a colorful collection of humankind. And of course, every day our office routine broke several times during the day when the Muslim calls to prayer occurred.

I mention all these details to paint a picture for you that conveys the business, political, and security environment that we confronted while managing an international business in Saudi Arabia.

What are the lessons and insights I gained from that experience?

Several come immediately to mind, but I recognize that giving advice can be very serious business. We all remember the story of Socrates. He went around giving people good advice – and they poisoned him.

But, since I'm in friendlier company today, I'll take a stab at it. It is easy to make things too complicated when it comes to describing what it means to be a leader – so today I'll spare you the PowerPoint and, hopefully, the management consulting jargon.

What are the qualities that define a leader?

The first is a combination of integrity and ethical conduct. President Harry Truman used to say that people who are fundamentally honest don't need a code of ethics.

The second quality of leadership is the ability to convince your workforce to take a proprietary interest in their jobs. It is their business to get the job done on time and with good results. Henry Ford said that it is the biggest mistake in the world to think you are working for somebody else. I had to make sure that our Saudi and Pakistani workers felt as much of a proprietary interest in our business as our Australians and Americans, and vice versa -- that they behaved like plank owners. Those of you who have lived international lives probably won't be surprised to learn that this was usually not too big challenge.

The third quality is to take an aggressive but safe and healthy approach in all your activities. You will not succeed for a sustained period if you have different safety or health standards for your international operations and your domestic business – or if you value the safety of employees based on nationality.

The fourth quality is to remember that no matter how smart your people are, there is no substitute for hard work and attention to detail. Thomas Edison said most people miss opportunity because it is dressed in overalls and looks like work. The good news is that most international employees think they are fortunate to work for a great company that is also an American company – and their work ethic reflects that.

The fifth quality is to create an environment where making value-added contributions as part of a team truly matters. This is especially important in an international, multicultural setting. Instead of keeping the Team ExxonMobil concept as the vital tie that bound us together – as we did – we could have allowed the workforce to be torn apart by Muslim vs. Christian vs. Hindu, Western vs. non-Western or Arab vs. non-Arab prejudices.

The sixth quality is really a variation on the Golden Rule. Treat everyone with respect. Remember that you are not operating in another country to "fix the poor under-performers whom you find living there" (and I use a figure of speech here). People pick up on that sentiment very quickly and, of course, they deeply resent it. Challenging people to do more and to perform better is a must, but impugning their intentions or abilities, especially based on cultural background, is a must not.

And finally, a leader should be committed to making the workplace as enjoyable in an international setting as it is in America. Few experiences in my career have given me greater satisfaction than seeing a group made up of people from 20 or more nationalities and several faiths enjoying and celebrating successes that resulted from their working hard together. In so doing, they found a new faith to go with their religious convictions -- a faith in each other and in the mission of the organization.

I know that in this setting I will get no argument about the fact that we Americans live in a great country. But it is also important to remember that, in an international setting, many of the people with whom you work or conduct business think that they are from great countries, too. Those of us who have lived internationally take this for granted, yet so much has changed in the post-September 11 world, particularly the power and influence of cultural and political ideologies occasioned by the revolution in communications technology.

From afar it seemed to me that American television's 24-hour talk channels have become very good at comparing other cultures unfavorably to our own. Non-Americans can be, as they were in Saudi Arabia, almost obsessive about watching Fox or MSNBC via satellite. Knowing that my

Muslim colleagues had been watching American television commentary that regarded them unfavorably – and having them know that I was watching Arab television attacking things American – created difficult leadership challenges. It was a situation that simply could not be glossed over, and I found that the best policy was to be open about the issue.

But let me also be clear about one thing. While I agree with the wisdom inherent in Mark Twain's observation that "travel is fatal to prejudice," I also believe we must give no quarter to murderers who have attacked us and who are hell-bent on waging a war on civilization.

I took great comfort from the fact that the Saudis with whom I dealt shared this view to a person. I lost a classmate and friend on 9-11 and had colleagues wounded in bombings in Saudi Arabia -- the evil of terrorism is no abstraction to me.

This conference is quite appropriately focused on issues of character and integrity in leaders. I've been asked to talk about the challenge of being a wise and effective leader in the difficult circumstances that are becoming the norm in an increasingly distrustful and fearful world. Truly, it has become a world where new constituencies clamor incessantly to be heard and served and where relations among nations, cultures, and multinational corporations can be rubbed raw.

In my experience, when working as a leader internationally, the first thing to do is ask yourself and your organization why you are there. In most cases, you will be there to improve the quality of life for the people from the host country with whom you come in contact – whether by providing better products, better systems, better financial capabilities or by creating more jobs and brighter futures. Your ability to combine the unique capabilities that your organization has with an understanding of the local business environment and the needs that exist there will be central to your success.

Everyone here knows that those of us in the private sector have a primary obligation to our shareholders – to enhance the value of the money they have entrusted to us. That is almost a motherhood statement. But, to no one's surprise, host country nationals are really not all that interested in the needs of shareholders in the USA. They are focused on fulfilling their own needs and improving their own lives.

In the case of a company such as ExxonMobil, where we often deal with host-country governments, that can mean that we need to understand the needs of the government's constituents. In instances such as this, you are unlikely to succeed unless you dig in and understand the influences that underlie the government – whether they involve tribal, ethnic, religious, ideological or other forces.

It is also essential to develop a clear sense of the effects your actions and business decisions may have on the host-country political process. In our own case, in Saudi Arabia, that meant a struggle to understand how our actions might be perceived by the political leadership, the national oil company, the oil ministry, and Saudi business leaders. As a responsible business leader, you will also want to be sensitive to local business, environmental, and cultural conditions – but never in a way that could result in lowering your company's standards of business performance.

In ExxonMobil's case there is no "good enough for Elbonian work" standard – to paraphrase Dilbert – that is put in play when our work involves challenging developing-country situations. Whether it is business ethics, safety or engineering deliverables, there is one standard for getting things done and that is the ExxonMobil standard. We have a relentless focus on best practice identification and on implementation of those best practices on a consistent basis in the 200 countries where we operate.

Difficult settings should not and cannot be used as a justification for somehow demanding less from your organization. The surest way to test your organization in this regard is to examine your safety performance in the context of whatever your company's gold standard is elsewhere in the world. Think about the message you are sending if you are demanding less than that from your local organization and your local contractors. If you want to succeed on a global basis, never compromise your standards in this area. The same can be said for business ethics.

Finally, I'd like to discuss the development of the local workforce in a host country environment. As a very large global company many different human-resource marketplaces confront us. The situation in China, for instance, is far different from the one I found in Saudi Arabia. China has



about 1.3 billion people, with a very large number looking to improve their lives via work in the private sector. Saudi Arabia by contrast, has about 23 million people – but about 8 million of those people are foreign laborers who do jobs the Saudis are generally unwilling to do.

With differences such as these, the tendency can be for leaders to consider the performance of employees through a "local environment" prism. From my perspective, thinking that results in lowered expectations is death for an organization in terms of hopes it may have for being in the first quintile of overall performance.

In Saudi Arabia we quickly saw – as we do elsewhere – that our company was not the right place for all Saudis, and vice versa. We were rigorous in applying standards for hiring and aggressive in our metrics for continued employment with the company. Candidates for employment had to recognize that there was a single ExxonMobil standard for workplace performance and that the people in Saudi Arabia were competing with people in Nigeria, England and Japan, among many other countries, in terms of job evaluations and overall career potential.

Our objective is to have our local operations managed to a very great extent by top-flight ExxonMobil people working to our global standard. We think this is the way it should be and it is certainly much more cost-efficient to do so. Beyond this, we want our top performers to be focused on grabbing the golden ring of a challenging global career – whether they are Saudis, Angolans, Americans or British.

Let me give you some idea of what is possible if you push, prod, demand and lead in an international setting on a consistent basis over a period of years. One of ExxonMobil's key joint venture investments in Saudi Arabia is a very large fuels refinery, one of the biggest in the world. The workforce is about 90 percent Saudi. ExxonMobil is the world's largest oil refiner and we have an intense focus on performance metrics in the company.

The Saudi refinery, without even a hint of charity, consistently ranks at or near the top of the 40-plus refineries we have around the world in terms of operating performance. This is the result of an excellent workforce pulling together hard every day on a basis that is measured against the

best we have to offer in America, Europe, Asia, and elsewhere. As I see it, that's not bad for a country where the tendency of some international business leaders is to adopt an "it can't be done" philosophy as a default position. In closing let me say two simple things.

First, the world is becoming a more difficult place in which to work. We all have seen the evil forces that have wrought great fear over the past several years – and again in recent days. None of us expects that the forces of evil will go away soon – so the international arena is no place for the faint-hearted.

Second, it can be done. Even in the most challenging, from the American perspective, cultural environments, a significant number of host-country nationals will be anxious to work with you and for you – but only if your business proposition can pass the competitive tests that will surely confront it.

Be sensitive, and never take the attitude that you must fix the people whom you will meet in the host culture. But, having said that, never compromise on your basics in terms of business philosophy, ethics, operating excellence, and human resource development.

It's a big world. Of the 6.3 billion people (or 6 thousand 300 million as the British would say) in it, 6 thousand million are not Americans. Given the comparative sizes of the American and international arenas, I'd suggest we want to get and stay busy competing with and in the rest of the world.

Finally, if I may, a last personal note before I open things up to your comments and questions. It is especially timely for the Naval Academy to be hosting a summit on leadership. This past Saturday, our nation laid to rest one of our greatest heroes and military leaders here next to the Severn River.

As the Washington Post's Ray Rivera put it, "he was remembered as a leader and a thinker, a man whose wit and courage helped sustain him and hundreds of other U.S. prisoners of war through years of isolation and torture in North Vietnamese prison camps." For those of us who

have been privileged to attend the Naval Academy and serve in our nation's armed forces, Medal of Honor recipient Vice Admiral James Stockdale will always personify integrity, courage, and leadership at its finest.

I've spoken with you today about the challenges of leading a business in the current international environment, but Admiral Stockdale dealt with something so much more difficult than anything most of us will ever experience. And, by doing so with extraordinary guts and steadfastness, he gave us the real standard of leadership in a tough situation.

Almost everything I've said in this little talk today could be extrapolated from his extraordinary example, for which I know he'll be long remembered. Let us always remember his example as we honor his memory.

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