

Six steps to digital leadership: The key to Mastercard's hypergrowth

Excerpt based on material that originally appeared in the book *Goliath's Revenge*¹



From the time it went public in May 2006 to the end of 2018, Mastercard's stock appreciated more than 4,000%.² While many companies hit the proverbial wall on innovation after going public, under CEO Ajay Banga's leadership Mastercard has revved up its innovation engine to become a digital disruptor in financial services. By adhering to the six rules of disruption outlined in the book *Goliath's Revenge*, Mastercard is shifting from running a credit-card network to enabling modern payment ecosystems.

Delivering step-change customer outcomes

Mastercard's disruption begins with delivering new innovations to its global network of customers and partners. One key element of this effort, the Start Path program, connects members of the company's merchant network with nascent innovators. Orchestrated by Senior Vice President of Innovation Management and Startup Engagement Deborah Barta, the program provides start-ups with Mastercard's operational expertise and commercial access—which is critical to helping these fledgling companies to get into the market and ready to scale with Mastercard's customers. For example, Mastercard conducted a pilot with Mobeewave—a company with a platform that turns smartphones into payment terminals without additional hardware—to bring contactless card and mobile payments to Poland. This initiative provides previously cash-only merchants with a simple and secure way to do business and makes payments easier for their customers.

¹ Todd Hewlin and Scott Snyder, *Goliath's Revenge: How Established Companies Turn the Tables on Digital Disruptors* (Hoboken: Wiley, 2019).

² "Mastercard—13 year stock price history," Macrotrends, accessed January 3, 2019, [macrotrends.net](https://www.macrotrends.net).

Pursuing “Big I” and “Little I” innovation

Shareholders demand both near-term excellence from a company’s core business and long-term growth in markets beyond it. Through its Take Initiative program, Mastercard checks both of these boxes, fueling opportunities that are both “Big I,” disruptive innovations, and “Little I,” continuous improvements. During an annual 48-hour hackathon, employees from around the world dream up game-changing solutions in both areas of innovation. The top-scoring teams take part in IdeaBox, Mastercard’s ongoing innovation program inspired by Banga’s challenge to break down barriers and think outside the box.

Each selected team gets an Orange Box that includes a modest prepaid card and 60 days to build their pitch. If it hits the mark with a panel of innovation executives, the team moves to a Red Box, with a heftier prepaid card to fund development of their prototype over 90 days.

These teams then pitch their proposed venture to Banga himself for a chance to be selected for a Green Box. At this stage, a Big I team becomes a virtual start-up within Mastercard Labs—the company’s R&D arm focused on innovative payment solutions—and is funded for six months to achieve initial commercial success. The program has already uncovered a wide range of new innovations in areas such as mobile budgeting tools, concierge services, financial literacy, and even access to healthcare services.

Using its data as currency

To be disruptors, companies must build out and maximize the return on their data assets. One of the biggest obstacles in building a sustainable data advantage is overcoming the mounting data protection and privacy hurdles installed by both regulators and consumers. Mastercard has managed to turn these challenges into opportunities by creating new standards and security innovations to maintain the trust of its 2.5 billion cardholders while in parallel using anonymized transaction data to develop new service ideas and improve customer experience.



For any new technology to have an impact, a company must employ talented individuals who can wield it.

Accelerating through innovation networks

Mastercard was born with a network model—an association of many different member groups all gaining value from being part of the network, much like innovation networks that connect the best ideas with platforms that allow them to scale. As a result, nurturing and growing an innovation network—being open to and learning from best-practice innovators outside its walls—is part of Mastercard’s DNA. Barta and her team have groomed Start Path ambassadors from Mastercard’s globally distributed workforce to scan for the latest technologies and make local connections with innovators worldwide.

Valuing talent over technology

For any new technology to have an impact, a company must employ talented individuals who can wield it. As such, Mastercard continually anticipates the next wave of critical skills needed in its workforce. The company has developed an Innovation Master’s Program to support employees who are eager to develop their entrepreneurial skills. The program also builds up the company’s pool of internal venture leaders. In addition, Mastercard makes design-thinking workshops available globally to foster outside-in thinking and enable employees to better identify customer-centric innovation opportunities, from lower friction payments to more seamless customer service.

Reframing purpose

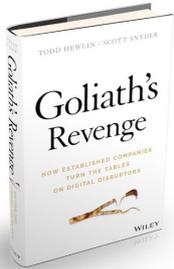
Part of reframing a company’s purpose is ensuring it engages the newest generation of workers. Today’s digital-native employees want more than a good salary and benefits—they want to do work that feels important and makes a difference. Mastercard has built a clear purpose around “doing well by doing good.” In 2015, the company launched Mastercard Labs for Financial Inclusion with support from the Bill and Melinda Gates Foundation. The goal of the lab is to bring more people into the financial mainstream through innovations in agriculture, microretail, and education. The company is also working to digitize the 85% of the world’s transactions that are still completed with cash, which will not only increase security and reduce fraud but also create future revenue streams for Mastercard.



By focusing on continual improvement within its core business and breakthrough innovations beyond it—and developing the necessary workforce to deliver those innovations to market—Mastercard has experienced hypergrowth during a period of intense technological change and increased scrutiny from regulators and consumers alike. Fueled by the six key rules—step-change outcomes, balancing Little I and Big I innovation, using data as currency, accelerating through innovation networks, valuing talent over technology, and using its purpose as a magnet for future innovation—Mastercard is positioned to be not only a digital leader but also an ongoing disruptor. ■

About the author

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To learn more about *Goliath's Revenge*,
by Heidrick Consulting Partner
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<https://www.heidrick.com/goliathsrevenge>.

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