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"AMAZING PEOPLE DON'T JUST HAPPEN."

A Thom Atkinson photo essay commissioned by Barclays

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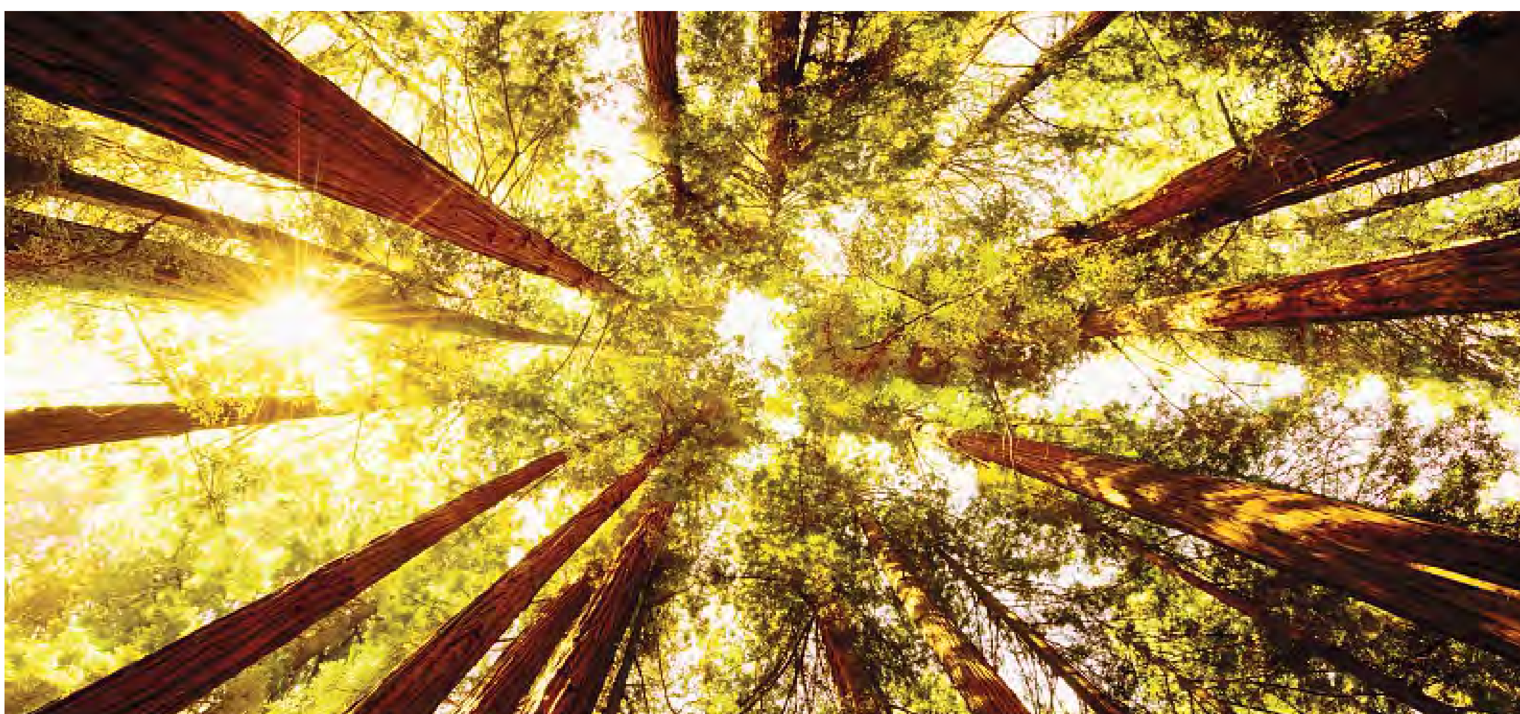
THE BUSINESS OF SURVIVAL

Companies looking for a long life need flexibility and much more



BY LIONEL BARBER

Some enterprises can trace their direct lineage back through many centuries. But the trend is for rise-and-fall cycles to become shorter — over the past half-century the average length of time a company is in the US S&P 500 index has fallen from more than 60 years to just 18. Globally, some see big companies' longevity returning to the pattern of the 19th and early 20th centuries, before trade rules and legal changes helped create a bulge of long-lived companies.

This magazine, crowning a series of Financial Times conferences and videos, draws on the breadth and depth of FT writers to examine what it takes for companies to survive. There are stark regional variations: the number of companies older than 200 years is vastly higher in Japan than in Germany, its closest rival. There are sectoral norms, with the ranks of businesses catering to everyday needs — such as drinking and accommodation — heavy with survivors. And structure and governance can have an effect on survival rates. Family-owned businesses, for example, are claimed to last longer as well as perform better than others.

Then there are the factors that can cut short a company's life, including the rising levels of environmental and political risk that are transforming the way companies do business, explored in this magazine by specialist columnists. Technology has immense and increasing power to disrupt expectations of corporate life, too.

No business exists in a vacuum. Trade barriers have played a large part in extending some companies' lives — and cutting short those of others. The power of political backing is perhaps most starkly illustrated by the boost it gave to trading organisations such as the UK's East India Company, but there are many other examples.

A theme that comes up again and again in the stories of long-lived companies is flexibility — the ability to adapt, quickly, to changing circumstances.

But cutting through this and every factor is whether corporate longevity is always a good thing. An academic who attended the FT's New York event said that companies would always emerge to replace those that fall by the wayside. Others say that a clear vision is more important than focusing on survival. But a clear vision can also make longevity more likely.

The articles in this magazine contain a number of examples showing how easily companies can founder. But they also provide many pointers, drawn from the past and present, about how companies can ensure they have a long future. ■

Lionel Barber is the editor of the FT

PHOTO: ISTOCK

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“I went from not being able to speak in class to presenting in front of 12,000 people at Wembley Arena.”

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LifeSkills created with Barclays supports young people by helping them acquire the key skills and experience they need for the world of work. For more information visit barclayslifeskills.com

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Mohammed is only 19 but considers himself something of a late starter. Given a second chance after a near-fatal heart infection, he set his sights on making a difference but lacked the confidence to achieve the goals he had set for himself. “I had to make a change,” he says, “and I used LifeSkills to make it.” Determined to help other students “raise their sights”, Mohammed organised dozens of LifeSkills lessons at local schools. He also became a charity fundraiser and ambassador, “encouraging others to step up”, and recently launched his own online platform, OurFutureTV, to showcase young people involved in social action. Offers from leading universities have followed. “I got good A Levels, but they told me they were blown away really by the impact I’d had on people’s lives,” he says, with a look of modest surprise. Mohammed hopes his story will be a blueprint for others. “I want to keep introducing people to LifeSkills. I want to inspire young people to believe you can achieve anything, regardless of where you come from.”

SALVAGING A SUSTAINABLE FUTURE

Business models require modernisation

Awareness of environmental issues has increased in the 21st century

PHOTO: GETTY IMAGES

BY SARAH BARKER

Only one company listed on the first Dow Jones index in 1896 remains listed there today — General Electric. Many of those "first-listers" still exist, at least in part, within other conglomerates. But others have also failed.

This is hardly surprising given the vast differences between today's economy and that of the end of the 19th century. However, the business models of many modern companies remain based on an economic philosophy unchanged from the industrial revolution: the linear supply chain. An open loop that begins with raw materials extraction and ends with post-consumption waste disposal.

The linear supply model is dangerously outdated in the economy of the 21st century. The economic landscape has changed fundamentally from even the 20th century. One big difference is digital technology, but another is our awareness of environmental issues.

The Global Footprint Network, a non-profit organisation that measures human impact on the Earth, estimates that if all the world's 7bn people enjoyed the standard of living of those in an average developed nation, resource demands would equate to more than three Earths. Despite this ecological overreach, the general commercial approach to the environment remains mired in 20th-century economic assumptions. "Sustainability" for most businesses is an operational issue — one affecting marginal costs, branding and regulatory compliance, but largely detached from core strategy. The popular mantra "reduce, reuse, recycle" essentially involves only the incremental greening of those linear supply chains.

That approach to sustainability is incapable of supporting continued economic growth without hitting standards of living. While an improvement on the traditional take-make-waste model, the three Rs are inevitably a system of sustainable degradation.

In contrast, corporate longevity in the 21st century will require a strategic approach to sustainability. An approach that recognises economic capacity is dependent on ecological capacity — the ability of the environment to regenerate resources and assimilate wastes. An approach that embraces transformation to a new economic model — one of innovation and collaboration between businesses within closed-loop value chains, with embedded lifecycle responsibilities. In short, sustainability must be a core strategic imperative.

This is basic maths. Two or three planets' worth of resources into one Earth does not go. Many economists believe we will always invent our way out of an impending resource limit through efficiency enhancements and the development of substitutes. But this necessarily requires that someone will innovate. In that process there will inevitably be winners and losers in the market. And as the economic impacts of environmental constraints continue to intensify, so too does the likelihood that market players not strategically positioned to exploit — or at least manage — environmental issues are likely to be at a significant competitive disadvantage.

This is not to say that a business with a successful traditional model cannot continue to enjoy prosperity and a long life. But it must keep an eye on the future, rather than defaulting to a historical formula — one cannot drive a car looking only in the rear view mirror.

Forward plans need to be tested against 21st-century realities. Plans that are not robust or flexible enough to deal with a range of potential futures will need to be reconceived. At a minimum, resilience and adaptive capacity must be built in. And investments that have been historically profitable will need to be reassessed.

Otherwise, those businesses that bet everything on doing business as usual may consign themselves to the same fate as all but one of those Dow Jones first-listers. ■

Sarah Barker is a Melbourne-based lawyer and award-winning adviser and academic specialising in environmental risk

A COMPANY IS A COMMUNITY OF HUMANS

Companies that are old are the exception, but is longevity even a desirable quality in a business?

BY MICHAEL SKAPINKER

Why do some companies survive for centuries while many more die within years? And why does it matter? Those were the questions the Financial Times has been attempting to answer over the past year through a series of events, discussions and interviews in Hong Kong, Johannesburg, New York and London.

Some felt it did not matter. Mor Naaman, associate professor at Cornell Tech, a New York-based partnership between Cornell University and the Technion — Israel Institute of Technology, told the US event that long-term corporate survival did not matter all that much. New companies would inevitably spring up.

Others thought longevity was important. The person whose writing inspired this project, Arie de Geus, did. In his 1997 book, *The Living Company*, de Geus, who worked for Shell, the oil group, for 38 years, wrote that a company was more than just a producer of goods and services. A company was "a community of humans".

There are certainly human costs when a company dies. It leaves communities without jobs, suppliers without customers — and former employees with the feeling that they have been deprived of their memories.

Some companies do live for a very long time. Among those represented at the FT events were the Groot Constantia Estate, which has been producing wine in South Africa for 330 years, and the Hudson's Bay Company of Canada, which received its royal charter from the British crown 345 years ago.

But old companies are the exception. De Geus wrote that the average life expectancy of a large multinational company was between 40 and 50 years. There were few other human institutions, he said, whether churches, armies or universities, in which the difference in age between the average lifespan and that of the longest living was as large.

Some companies have stayed in the same business throughout their existence. Groot Constantia is still making wine. Others have lasted but have changed what they do. Hudson's Bay began by trading with Canada's indigenous people, buying fur from them in exchange for European manufactured goods, such as knives, kettles and blankets. Today, it is an upmarket retailer with stores that include Saks Fifth Avenue in New York.

IBM, one of the companies represented at the Hong Kong event, has, since it was founded in 1911, moved from being a manufacturer of computers to one that focuses on information technology and consulting services. Ginni Rometty, IBM's ▸

'A company does not need to be defined by its product. It can change. Like [IBM]'

IBM convention, New York, 1947

PHOTO: LISA LARSEN/GRAPHIC HOUSE/GETTY IMAGES

THINK

“Listen to your people because they know what is going on. They know what will work and what will not work”

1.

chief executive, told the conference: “A company does not need to be defined by its product. It can change. Like us.”

If the products change, what needs to stay the same if a company is to survive for a long time? Several speakers at the FT events said that the values needed to stay the same. But values are hard to pin down. If you had asked executives at Lehman Brothers, in the days before the financial crisis, whether the bank had strong values, the answer would have been: “You bet.”

It is true that many long-lived companies have a certain culture or ethos, and a powerful sense of who they are, but those are no guarantee of survival. Enron, the fraudulent energy group, had a strikingly strong culture. But while not all companies with a strong sense of identity survive, it is probably true that those that do survive have a strong sense of identity. It appears to be a necessary, but not sufficient, trait.

‘The internet is transformational. I would say it is not transcendent’

Many speakers mentioned flexibility and adaptability as essential for survival. Chris Griffith, chief executive of Anglo American Platinum, told the Johannesburg event that the key to longevity was “sensitivity to the social and political environment”.

This was, understandably, a particularly strong theme of the conference in South Africa, where companies that came to prominence during the era of white political dominance have had to tread carefully as workers demand more and the ruling African National Congress often strikes an anti-business tone.

The need to adapt also applies in countries that have experienced less dramatic change. Transformation can be technological. IBM had to move into consulting when its manufacturing dominance was undermined by faster-moving competitors making smaller, easier-to-use computers.

Markets can shift too. Hudson’s Bay survived by becoming a department store owner when demand for fur fell.

Kathryn Harrigan, a professor at Columbia Business School, saw Hudson’s Bay’s change as an example of the company’s pragmatism, which she identified as fundamental to its longevity. She said the company kept asking itself: “What is out there? What can we use? They always kept changing.”

Gerald Storch, Hudson’s Bay’s chief executive, said adaptability meant paying attention not only to customers, but to employees too. “Listen to your people

PHOTOS: STEVE RUSSELL/TORONTO STAR, DAVID BOYER/NATIONAL GEOGRAPHIC/ GETTY IMAGES; ROGER DE LA HARPE/GALLO IMAGES/CORBIS; REUTERS

'[The companies] understood the meaning of money in an old-fashioned way'

1. Gerald Storch, chief executive of Hudson's Bay Company
2. Hudson's Bay began by trading with Canada's indigenous people
3. Hudson's Bay's flagship store in Toronto
4. Groot Constantia Estate has been producing wine in South Africa for 330 years

because they know what is going on. They know what is right and what is wrong, what will work and what will not work."

Today, like all traditional retailers, Hudson's Bay has to cope with another change: online shopping. The rise of the internet has damaged many businesses, from booksellers to travel agents to newspapers. Many of these have a very long history, but technological change is no respecter of age.

In an interview inside the Saks Fifth Avenue store, Storch insisted that Hudson's Bay could deal with what the online and mobile world was throwing at his company. "The online world is a whole different universe. The internet is transformational. It changes everything. I would say it is not transcendent. It does not replace everything, so we strongly believe that bricks and mortar stores are still critical. Customers love to come. Look around us. They love to shop."

People still like to try on clothes, he said. "At the same time, we know they are going to interface with us digitally, online, on their mobile phones, at home, and we embrace that too."

So an ability to cope with change is central to long-term survival.

De Geus listed four attributes of long-lived companies. Sensitivity to the environment and a sense of identity were two. But he added that companies that survived were tolerant.

"These companies were particularly tolerant of activities in the margin: outliers, experiments and eccentricities within the boundaries of the cohesive firm, which kept stretching their understanding of possibilities." So long-lived companies encouraged their people to try something different.

The fourth attribute was that companies that survived were financially conservative. "They were frugal and did not risk their capital gratuitously. They understood the meaning of money in an old-fashioned way; they knew the usefulness of having spare cash in the kitty."

Conservative financing meant companies had the money to pursue experiments and explore new markets and technologies. "They could grasp opportunities without first having to convince third-party financiers of their attractiveness," he wrote.

There is a final factor to consider: is probity essential to corporate longevity? There are tobacco companies that many regard as involved in an immoral trade but that have been around for a long time. There are mining companies that would not have survived without the use of badly paid and poorly housed labourers.

But Arthur Andersen disappeared because of its role in the Enron scandal. Other auditors have been fined for inadequate auditing, but have lived on. Lehman Brothers failed in the wake of the worst financial calamity since the Great Depression, but many other banks survived.

In corporate longevity, as in so many areas, life is not always fair. ■

TIMELINE

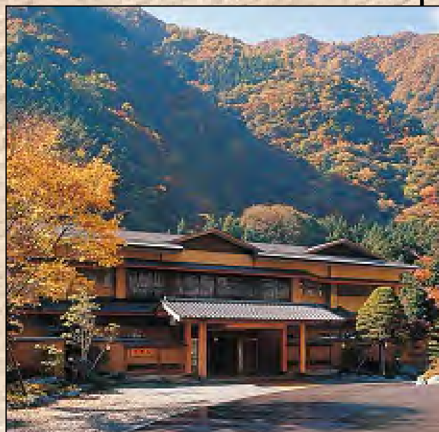
Some businesses that have stood the test of time

Kongo Gumi, Japan
Founded 578, Construction
The Osaka-based company specialised in temples and other monumental buildings during 40 generations of control by one family until 2006, when it went into liquidation and was purchased by Takamatsu Construction (established 1917) to be run as a wholly owned subsidiary.

Château de Goulaine, France
Founded c 1000, Wine
Château de Goulaine, near Nantes in north-west France, is home to Europe's oldest estate-bottled wine. The Loire Valley château is considered the oldest European family-owned business.

Fabbrica D'Armi Pietro Beretta, Italy
Founded 1526, Firearms
The oldest surviving manufacturer of firearms, it started making arquebus barrels and in 1650 invented the breech-loading cannon. Owned by one family for almost 500 years.

500AD | 600 | 700 | 800 | 900 | 1000 | 1100



Nishiyama Onsen Keiunkan, Japan
Founded 705, Hotel
Nishiyama Onsen Keiunkan is the world's oldest operating hotel. The 35-room, hot-spring hotel has been run by 52 generations of the same family.

Stora Enso, Sweden/Finland
Part-founded 1288,
Paper and forest products
The company was formed by the 1998 merger of Finland's Enso with Swedish mining and forest product company Stora, first documented in 1288.

Banca Monte dei Paschi di Siena, Italy
Founded 1472, Financial services
Italy's third largest bank, based in Siena, is also the world's oldest surviving bank.

Research by Lily Rae and Daniel Barabas. Graphic by Paul McCallum

PHOTOS: SARAWINTER/DREAMSTIME; THOMAS MARLOT; BLOOMBERG; AFP; PA

Cambridge University Press, UK
Founded 1534, Publishing
The world's oldest publishing house, it was set up by the equivalent of a royal charter from Henry VIII.

Sumitomo, Japan
Founded 1590, Diversified group
The group started out in Kyoto in copper smelting, expanding into mining, textiles and other areas. It was broken up after the second world war, but a key part, Sumitomo Corporation, became one of Japan's biggest general trading houses.

Autenrieder, Germany
Founded 1650, Brewing
The brewery has been family-owned for most of its life.

Numb. 256.

The London Gazette.

Published by Authority.

From Monday, August 24. to Thursday, August 27. 1668.

London Gazette, UK
Founded 1665, Publishing
The oldest known surviving English newspaper, it was first published on November 7 1665 as The Oxford Gazette after Charles II moved the Royal Court to Oxford to escape London's Great Plague

Old Bushmills Distillery, UK
Founded 1608, Alcoholic beverages
A licence to distil around Bushmills in County Antrim, Northern Ireland, was granted in 1608 by King James I, although the company was not set up until 1784.

Sveriges Riksbank, Sweden
Founded 1668, Financial services
The bank is the world's oldest central bank, replacing a private bank controlled by the king that collapsed after issuing too many unbacked notes.

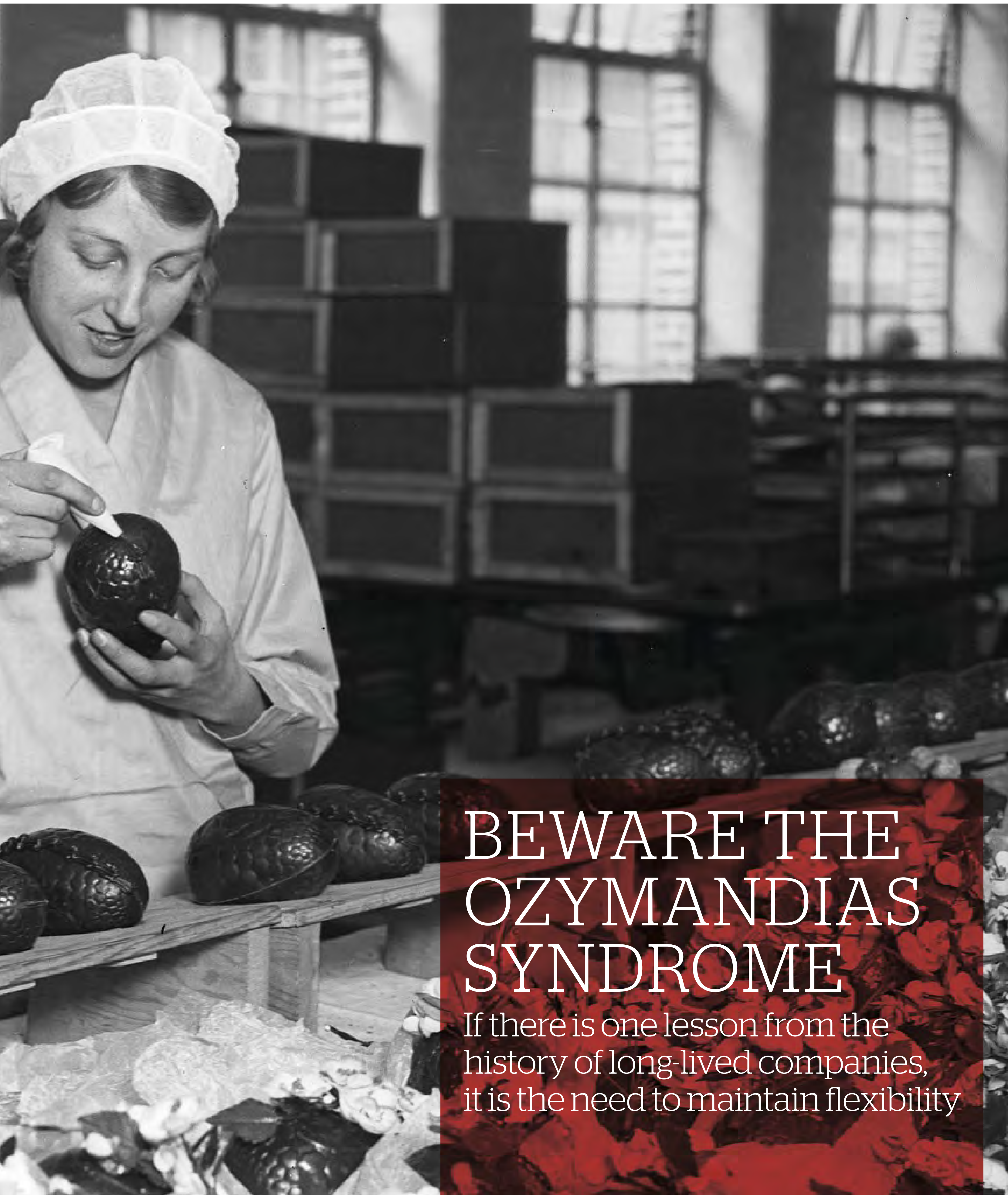
Avedis Zildjian, US
Founded 1623, Cymbal making
Avedis, a Constantinople alchemist, accidentally created an alloy with special musical qualities. His cymbals gained such fame that Sultan Osman II gave him the family name Zildjian ("son of cymbal-maker"). Avedis set up his own company in 1623 and it was relocated to the US in 1929, to be headed by Avedis III (left).

BNY Mellon, US
Part-founded 1784, Financial services
Bank of New York was set up in 1784 by American founding father Alexander Hamilton, and was the first stock traded on the New York Stock Exchange. In 2007, the bank merged with Mellon Financial Corporation.

MANAGEMENT

Two workers at the Cadbury's chocolate factory in Bournville join chocolate Easter egg halves together (1932)

PHOTO: FOX PHOTOS/GETTY IMAGES



BEWARE THE OZYMANDIAS SYNDROME

If there is one lesson from the history of long-lived companies, it is the need to maintain flexibility

BY ANDREW HILL

In May, Ed Miliband, leader of the UK's Labour party at the time, made a last-ditch attempt to convince the electorate to vote his way by unveiling a large stone into which six manifesto pledges had been carved. The plan — abandoned when Labour sank to election defeat days later — was to plant the "EdStone", as it was immediately and cruelly dubbed, in the garden of 10 Downing Street as a reminder of the party's promises.

Too many business leaders do the metaphorical equivalent by setting their strategic pledges in stone even as the changing situation renders their Ozymandian ambitions irrelevant.

If there is one lesson from the history of long-lived companies, it is that they need to maintain the flexibility to change course, change leader, and even change business, if they are to continue to thrive.

Some of these lessons are embedded in the history of the FT30, the original London benchmark stock market index, first published in 1935. Only two of the original 30 companies have been uninterrupted members since inception: Tate & Lyle, the sweeteners group, and GKN, the engineering company.

Their history is one of adaptation and luck. Over the years, Tate refocused on speciality ingredients, moving away from sugar, its historical staple. It sold its branded sugar business in 2010. GKN used to make nails and hooks, among other products. Its diversion into the lucrative automotive business happened in large part because a German company in which GKN had invested indirectly in the 1960s made the constant velocity joints that became fundamental to modern cars.

To assume that luck alone will ensure longevity would be as misguided as constructing a Milibandesque monolith.

Manuel Hensmans, a professor of management at Toulouse Business School, says companies need "custodians of continuity": senior directors or long-standing investors who set inevitable

1

'The basic things – doing everything in an effective way – are usually underestimated'

transformations in the context of the longer history of the business.

In 2013, Prof Hensmans wrote, with Gerry Johnson and George Yip, an analysis of successful British companies. *Strategic Transformation* focused on Cadbury Schweppes, the confectionery company, Tesco, the supermarket chain, and Smith & Nephew, the maker of medical equipment, up to the mid-2000s. It concluded that four strategic "traditions" helped to sustain long-lived companies.

Continuity involves reinventing historical success. Anticipation prepares the next generation to take advantage of "happy accidents" and unforeseen opportunities. Contestation encourages challenge and self-criticism among senior managers. Mobility brings new blood into the company, based on informal procedures that allow "mavericks" to flourish.

When the book appeared, both Tesco and Cadbury Schweppes had peaked. The supermarket chain has had to rein its ambitions back since the much-

lauded Sir Terry Leahy stepped down as chief executive in 2011, while Cadbury Schweppes was broken up into its chocolate and beverage operations, with the former sold to what is now Mondelēz in the US in 2010.

Prof Hensmans says the Cadbury Schweppes demerger doomed the group. It ended useful internal tension between the confectionery arm, which represented continuity, and the beverage operation, which represented change.

John Van Reenen, director of the Centre for Economic Performance at the London School of Economics, has studied some of the less high-profile strategies employed by companies that are successful over the long term. Together with McKinsey, the consultancy, and professors from Stanford and Harvard, the LSE has produced a world management survey. Prof van Reenen says the use of techniques such as "lean manufacturing" correlate strongly with survival. "The more basic things — doing everything in a consistent, effective, high-quality way — are usually underestimated."

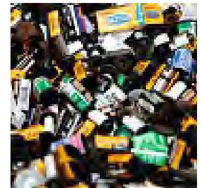
Typically, long-lived companies do not indulge in sudden layoffs or rebranding, according to Prof Hensmans. They also avoid what he calls "the yearly 20 per cent profit-increase fetish", which he says was the undoing of Tesco under Sir Terry.

Analysts are starting to develop techniques to measure areas that go beyond total shareholder return and look at the long-term value of policies that ▸

1. Tesco has had to scale back its ambitions

2. Tate & Lyle moved away from sugar, its historical staple

3. Sir Terry Leahy



EASTMAN KODAK
Founded 1888
Photography company

George Eastman came up with an affordable combination of roll film and camera in the 1890s and Kodak traded successfully on the back of his innovation for more than 100 years. The company knew about the coming digital revolution. In 1975, an employee invented a crude digital camera. But analogue film remained a huge generator of cash – the peak year for roll-film sales was as late as 1999. Digital technology was a risky investment in the eyes of analysts, investors and, until it was too late, most executives. Kodak filed for Chapter 11 bankruptcy protection in 2012, emerging in 2013 as a much smaller business selling imaging equipment and services to businesses.

PHOTOS: D. MORRISON/EXPRESS, AFP/GETTY IMAGES; KUTIZOLTAN/DREAMSTIME; DANIEL JONES

have a positive environmental, social and governance (ESG) impact.

This year, for the first time, Harvard Business Review included such measures in its ranking of the 100 best-performing long-tenured chief executives. One controversial effect was that Jeff Bezos, founder of Amazon, the online retailer, who would have topped the 2015 list as he did last year, dropped to 87th place. This was the man who said in his 1997 letter to shareholders that "a fundamental measure of our success will be the shareholder value we create over the long term".

According to Michael Jantzi, chief executive of Sustainalytics, the research group that provided the ESG data for the HBR ranking, the measurements provide a lens that "helps define that elusive quality of management".

The fate of the 28 other companies that made up the original FT30 is not as tragic as their disappearance from the index suggests. Many of them live on within larger groups or as independent companies. Rolls-Royce and Imperial Tobacco survived or revived to rejoin the FTSE 100. Coats, the threadmaker, emerged with its own stock market listing after multiple owners and is looking ahead to a point when 3D printing of garments may mean its strategy is no longer based on the product it has sold for well over a century.

In parallel with the increased emphasis on the importance of "softer" measures of companies' survival prospects, there is a growing realisation that the old organisational structure may not even be necessary for certain aims to be achieved.

The realisation is not new. In 2003 John Micklethwait and Adrian Wooldridge pointed out in *The Company: A Short History of a Revolutionary Idea* that "while the company in general has never seemed more vibrant, individual companies have never seemed more fragile and insubstantial. The East India Company lasted for 258 years; it would be remarkable if Microsoft reached a quarter of that life span."

Now more companies choose to spin out successful internal enterprises, or create them deliberately in order to manage medium-term entrepreneurial strategies. Pharmaceutical groups have reduced direct spending on research. Instead they delegate it to networks of smaller groups that have incentives to exit from the business profitably when a breakthrough is licensed.

"The East India Company lasted for 258 years; it would be remarkable if Microsoft reached a quarter of that," say John Micklethwait and Adrian Wooldridge

Anita McGahan, a professor at the University of Toronto's Rotman School of Management, contrasts these successes with the "tragedy" of Xerox's failure to capitalise on many of the innovations it developed in its Parc research centre on the US west coast in the 1980s and 1990s.

Some businesses may even have to jettison the objective of survival. As Prof McGahan has written, organisations are already "arising to create much-needed infrastructure, fulfil intermediate objectives and manage difficult trade-offs", that is, carrying out a mission, such as staging an event or completing a project.

When the London 2012 organisers were planning the Olympic Games, they were already programming a wind-down phase called "dissolution". For many companies, dissolution is the biggest challenge of all. In future, some may have to recognise that they cannot reinvent themselves and their long existence is coming to a logical end. Too often, this final act is chaotic.

Yet longevity is not in itself a virtue. In some cases, it may be better to plan ahead for the dismantling of an organisation that has done its job and nominate one last staff member to switch off the lights. ■

NOKIA
Founded 1865
Telecoms

The Finnish tyres-to-timber conglomerate became a case study in corporate turnarounds in the 1990s, when it pulled out of a nosedive by focusing on its fast-growing mobile telecoms business. As the dominant handset manufacturer of the following decade, Nokia looked unbeatable, but it was wrong-footed by Apple's iPhone, while lower-cost producers attacked it in growth markets. Having sold its mobile device business to Microsoft in 2013, Nokia was left with another chance to reinvent itself as a maker of telecoms equipment. The group was confident enough to launch an all-share bid for rival Alcatel-Lucent in April.

PHOTOS: ANN RONAN PICTURES/PRINT COLLECTOR/GETTY IMAGES; BLOOMBERG

Rachel wasn't nervous about leaving the Army. She had done everything she wanted to do and it was time for a new challenge. But after 24 years in the military, it was important to her to keep "adding value". "It becomes part of who you are, to try and make things better," she says. In Bosnia she helped renovate an orphanage, in Iraq she rebuilt a school and playground. She shares a full-page newspaper article about her work with traumatised war victims in Kosovo. "I wanted to go somewhere that had the same values as me. Some places just saw me as 'double points' – female and ex-Army." Rachel chose a role with Barclays' Armed Forces Transition, Employment and Resettlement (AFTER) programme. "I felt at home immediately. I was shaping work placements for people who were leaving - lots of them injured," she says, "I had a blank canvas to use everything Barclays had - apprenticeships, training, the degree programme – to identify their talents and get them on the right road." Rachel's work with veterans doesn't end with AFTER. She's also an ambassador for ABF The Soldiers' Charity and a supporter of the Royal Hospital Chelsea. "I introduced the Chelsea Pensioners to Digital Eagles. Now they're all video calling their grand-kids," she laughs. "Imagine, I get to do all this and get paid for it."

"Don't tell me I can't, because I can."

Rachel Webster
Business Support Manager
Barclays

Barclays AFTER supports the transition of ex-servicemen and women into civilian life through work placements, education courses and skills training. For more information visit home.barclays/AFTER

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WHEN NEW HANDS TAKE THE HELM

Family businesses with no succession strategy in place are jeopardising their survival through the generations

BY JONATHAN MOULES

It might look like an inevitability that Hannah Marriage should have entered the flour-milling business her great, great, great-grandfather co-founded in Chelmsford, south-east England, with his twin brother in 1824.

But that was not the way her father George, current joint managing director of Marriage's, saw it when his daughter applied for the job of marketing director.

"He grilled me," Hannah Marriage recalls about his interview of her as part of the selection process. "It was a bit of a shock as, in the other two interviews I had, the people had been quite nice."

Family businesses might be as old as the hills, and today still account for 70-95 per cent of the commercial enterprises in most countries, but the challenge of handing on the baton to the next generation has not become any easier.

Just 30 per cent of EU-based family businesses survive to the next generation, according to European Family Businesses, a trade association. This figure is fairly consistent across the developed world, which means, statistically, just 1 per cent will progress from the fourth to fifth generation.

Hannah Marriage, now 31, and two of her cousins are the sixth generation of the family to sit on the board of Marriage's. She admits that when she graduated from Edinburgh University a decade ago she imagined her career lay in public relations, away from the family business. "There was a bit of a flash moment," she recalls. "Dad was looking to recruit someone in the flour marketing role and I thought maybe I would apply."

She now shares an office with her father and says the biggest challenge is not to talk shop when they are around other family members, including her mother and two younger brothers, who do not work in the business.

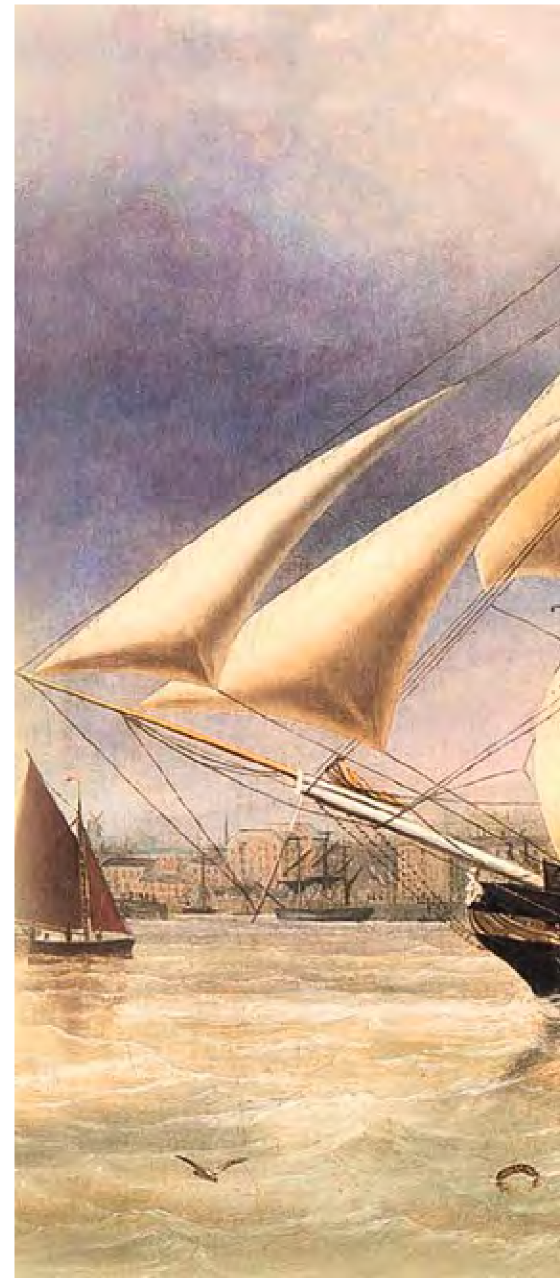
"It is important to come into it of your own volition," she says. "Looking back, Dad's view was, if you are a member of a family with a business, it doesn't mean you are best suited to run that business."

Len Middleton, who worked for a period in the energy company founded by his grandfather more than 70 years ago, has for the past 12 years led the MBA family business course at the University of Michigan's Ross School of Business. He says he wanted to teach on this subject because he had seen the pitfalls of flawed succession plans and was concerned that too many people were looking for simple solutions and failing to prepare early enough.

Middleton's family brought in outside managers to run the company after his grandfather passed away a few years ago, but he says he has already started succession planning with his children for when they become part owners.

"I personally lived through all this, the good parts and the bad parts," he says. "The biggest mistake is that families do not spend time on this early enough."

The question most often asked by his business school students, many of whom are in family businesses themselves, is whether there is something in particular they can do to smooth the transition process.



Mary Bibby, acquired in 1825 and Bibby Line's largest vessel at the time; it was named after the company founder's wife

"They think there is a magic bullet, but there is none," Middleton says. He points out that one of the reasons succession remains such a thorny issue is that no two company situations are the same — and he sees that among the different experiences of the people he teaches.

One MBA student, for example, built a media business in his native Brazil and has just hired his father to run it.

Communicating with one's relatives is key, according to Middleton. He suggests families go on "retreats" — not to discuss the business, but to enjoy each other's company.

"Spend time just being family members, brothers, sisters and cousins. There will be tough moments in any

'Gaining outside perspective, especially when taking hard decisions, can prove valuable'

family business, so it is important to cultivate that family time."

It is never too early to start thinking about succession, Middleton says. "It is not a decision that can be taken in days or months, but should be looked at over many years," he says.

John Cooney, a partner and family business leader at EY, the consultancy firm, recommends "future gazing", which he says focuses the mind on what the whole family would like the business to look like in generations to come.

"This helps to shape present strategy and ensure the right person is selected to take the business forward," he says. "Although a family business has a wealth of experience to draw on, gaining outside perspective, especially when hard decisions need to be taken, can prove valuable."

Hannah Marriage and her father have undertaken a version of this by enrolling on the business growth programme, a part-time course at Cranfield School of Management. Every few weeks they drive to Cranfield's rural English campus to discuss their longer-term strategies for succession with other owner managers, many of whom are not from multi-generational family concerns.

"We know there is a legacy, and my cousins and I would like to pass it on to our children, if we have any," Hannah Marriage says. "But it is important people are coming into it of their own volition." ■

WATES GROUP
Founded 1897
Construction and property

Now in its fourth generation of family ownership, Wates is one of the UK's largest construction, property services and property development companies. It is 100 per cent owned by the Wates family. The current generation has been joined by non-family executive and non-executive directors. Long-term goals, up to 2035, are set by the family, while the board focuses on the three- to five-year plan. The family is planning the transition to its next generation of family members, ranging in age from four to 21. This has included drawing up a programme of support and development for them to meet their potential, at Wates or elsewhere.

BIBBY LINE
Founded 1807
Business services

Bibby Line Group is a privately owned business-to-business services group with its roots in shipping, and is still 88 per cent family owned. Various crises in the 1980s threatened its survival, resulting in the appointment of the first non-family group managing director by then chairman Derek Bibby, a fifth-generation family member. He also oversaw the acquisition of shareholdings of relatives not involved in the business. The use of family ownership trusts is a way of having united family governance while defusing tensions between family owners and professional managers on the board.

WELCOME TO INDIA'S STEEL CITADEL

Jamshedpur has all the virtues of a company town but, like many others, its growth is bringing new challenges

BY JAMES CRABTREE
PHOTOS BY ALAKANANDA NAG

Compared with the tumult of most Indian cities, Jamshedpur seems like something from a fairy tale. Its streets are clean and tree-lined. Traffic is orderly. Residents boast of fine schools and lazy afternoons on the golf course. And the city's centrepiece, looming over the surrounding streets like the castles in a children's storybook, is India's first, and still largest, steel mill.

The complex is vast, with dozens of buildings and belching chimneys making up one of the world's most cost-efficient steel facilities, producing up to 10m tonnes a year for Tata Steel, the metals arm of the country's biggest conglomerate. Yet it is the surrounding city that is perhaps more remarkable, given Jamshedpur's place as India's most successful industrial town.

Founded in 1907, central Jamshedpur, situated about 200km west of Kolkata, houses around 800,000 people, for whom Tata is a mixture of dominant employer and benevolent despot. The company has only 20,000 staff, but provides an array of services to all residents, from road-building to water treatment.

The results are impressive. Jamshedpur's neat dual carriageways are free of pot-holes. Power cuts are unheard of. Uniquely for a big Indian city, it is safe to drink water from the tap. In many ways, the city provides a glimpse of what India might have looked like, had its government been as efficient as China's.

These achievements are all the more remarkable given Jamshedpur's location: Jharkhand, a state with bountiful mineral deposits but dire development statistics and an occasional Maoist insurgency. "Jamshedpur is like an oasis in that part of the world, a beacon in eastern India," says Ishaat Hussain, former finance director at Tata Sons, the conglomerate's holding company.

Most of Tata Steel's top brass live in the city at some point; Hussain recalls fondly his time there in the mid-1980s. Since then, Tata has become a global giant, pulling off an array of big acquisitions, including the $13bn purchase of Anglo-Dutch steel group Corus in 2007. Even so, Jamshedpur remains at the heart of its steel business, and carries weighty symbolism for company and country alike. "This city has a very singular place in the history of industrial India," Hussain says. "The history of Tata and Jamshedpur cannot be separated."

Jamshedpur takes its name from Jamsetji Tata, the conglomerate's founder, whose bearded face stares out sternly from statues in the city's many public parks (Jamshed is a transliteration variant, "pur" means city , and the "ji" suffix is an honorific). In 1867, the young industrialist is said to have attended a lecture in

'This city has a very singular place in the history of industrial India'

The Tata Steel complex, seen from the city

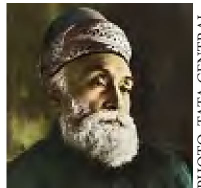
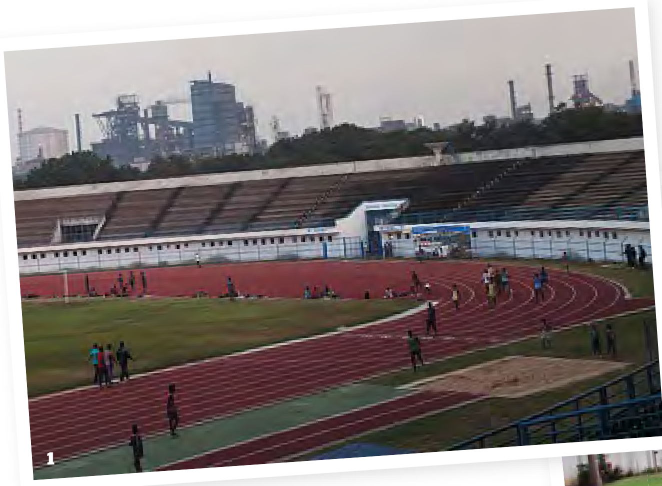
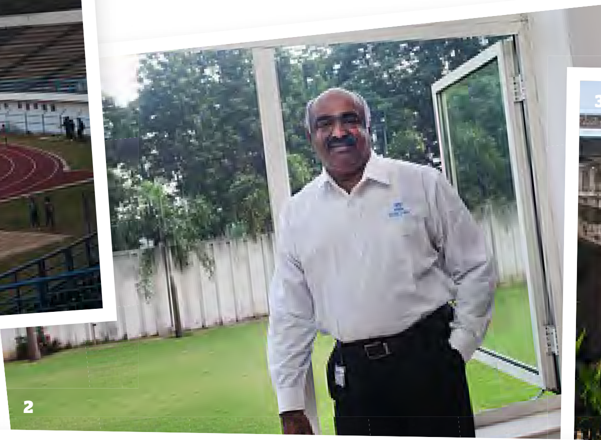


PHOTO: TATA CENTRAL ARCHIVES

TATA
Founded 1868
Diversified conglomerate

Tata is India's oldest, best-known and largest conglomerate, with revenues of $109bn last year. Based in Mumbai, the group comprises more than 100 companies covering an eclectic range of sectors, from watchmaking and sugar to chemicals and software development, taking in an array of global brands such as UK-based carmaker Jaguar Land Rover and Tetley Tea. However, the company's heritage is firmly in industrial concerns, from textiles to iron and steel — the last of which prompted founder Jamsetji Tata to establish Jamshedpur as the home for India's first steel plant in the early 20th century.





Manchester in which Scottish essayist Thomas Carlyle praised the virtues of steelmaking.

Inspired, Jamsetji Tata spent decades trying to rustle up funds, land and expertise to put up a plant in India, jotting down his plans in a special scrapbook. A trip to Pittsburgh in 1902 — then the world's leading steel city — helped his scheme take shape. Five years later, a Tata team finally found the ideal plot of land, nestled between two rivers and blessed with access to plentiful water, coal and iron ore.

Much of Jamshedpur's subsequent success stems from its early design. India's industrial pioneers often built homes and schools for their workers. But Tata took these commitments more seriously than most, inviting British socialists Sidney and Beatrice Webb to help plan out the city's social services. "Be sure to lay wide streets planted with shady trees [and] space for lawns," he wrote. "Reserve large areas for football, hockey and parks. Earmark areas for Hindu temples, Mohammedan mosques and Christian churches."

The man now responsible for delivering this vision is Sunil Bhaskaran, a veteran Tata Steel executive with a bushy black moustache and jolly demeanour. His title is vice-president of corporate services, but the job is more akin to an American mayor, with $30m to spend each year on the city's upkeep. Bhaskaran laughs off the mayoral comparison, but talks animatedly about plans for road widening and sewerage treatment, all to be undertaken by Jusco, the city management company Tata spun out in 2004.

A round-the-clock call centre handles resident complaints — regular reports landing on Bhaskaran's desk — while the company is involved in everything from rounding up stray dogs to controlling mosquito-borne diseases. "In order to look after 20,000 of our employees, we are catering to 800,000. I don't think many companies would do that," he says.

Tata's approach mixes charity with clear corporate self-interest. All that spending buys plenty of goodwill. Jamshedpur's plant has doubled capacity over the past decade, while its workforce has fallen from a peak of 80,000 — a feat achieved without industrial unrest. Yet the company's sense of social obligation seems genuine, with projects funnelling cash to myriad local charities and tribal groups. Sport looms large, too, with a Tata-funded athletics stadium in the middle of town, as well as a trio of lush golf courses open to all residents.

"For some young engineer to come here and learn golf from a national champion at a throwaway rate, that is unimaginable in other cities," Bhaskaran says. The city's sporting culture has even attracted celebrity residents, such as Bachendri Pal, the first Indian woman to conquer Mount Everest, who now runs a training centre. "I climbed Everest in 1984, and Tata supported me," she says. "What they have done since to support adventure sports here is very unusual for a corporate house."

'All of my friends have left – there isn't much for young people here'

1. Tata Sports Academy
2. Sunil Bhaskaran, vice-president of corporate services at Tata Steel
3. and 6. Houses maintained by Tata Steel
4. and 7. Bistupur Market in Jamshedpur
5. Tata Cultural Centre members
8. Ashish Mathur, managing director of Jusco
9. Jubilee Park was gifted by Tata Steel to Jamshedpur
10. and 11. Jusco School South Park in Bistupur
12. Bachendri Pal heads the Tata Steel Adventure Foundation
13. Tata's Centre for Excellence complex

Still, not everyone is happy. Some residents complain Tata's stewardship has created a cosy enclave for steel executives but little of the dynamism that characterises India's big cities. "They maintained it well, no doubt, but they didn't allow it to grow," says Rajeev Dugal, a local hotelier. "When a town evolves you have malls, eating places, movie theatres. But Jamshedpur has none of these."

Ryan D'Costa, the founder of Brubeck Bakery, a rare fashionable café, concurs. "All of my friends have left — there isn't much for young people here," he says.

Beyond Tata's central citadel lies

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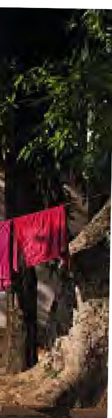

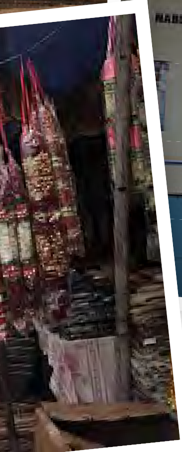

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PHOTO: BLOOMBERG

HERSHEY
Founded 1894
Confectionery

Milton Hershey set up a candy shop in 1876 in Philadelphia, only to see it go bust within six years. Unperturbed, he launched a far more successful business in a nearby town making caramels, selling it for $1m in 1900. He used the proceeds to expand his Hershey Chocolate Company, set up six years earlier to produce coatings for the caramels. He built a new plant in his home town, which would soon be renamed Hershey and continues to justify its motto as "the sweetest place on earth".

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a tougher problem: Jamshedpur's sprawling outer city, run by regular municipal authorities, over which Tata has no control. Add in this area and the population jumps to 1.4m. Outside, development is chaotic, with frequent power cuts and dirty drinking water. "This causes resentment, no question," Bhaskaran says. Tata's executives complain of frequent incursions to steal electricity or build illegal housing.

At a deeper level, this division leaves the company facing something of paradox. Over the years it has fought occasional attempts by local politicians to hand its powers to a regular city council. In this, it has been strongly backed by residents in two referendums.

"Letting the politicians run it would be a prelude to ruining it," says Jamshed Irani, a former Tata managing director who has retired to the city. Yet neither is Tata willing to bear the heavy costs of providing its services to the rest of the city, as is often asked to do, viewing it as one long-term charitable headache the company could do without. Its refusal to risk this means the divisions between the two sides of India's steel city are only likely to grow.

This need not be a fundamental threat. In common with other corporate towns, Jamshedpur is likely to prosper as long as Tata Steel itself continues to expand in India, which seems likely, given the country's expected rapid future growth.

For those within Tata who view the city with a mixture of pride and nostalgia, there is perhaps a greater worry — that Tata Steel's continuing international expansion might in time see the company outgrow the city that once provided its heart. "It has a great sentimental position in the Tata psyche," says Ishaat Hussain. "Perhaps that is dwindling now that Tata is such a global operation. But Jamshedpur will always be something special to us." ■

FOUNDERS' VISION KEEPS ENGINE RUNNING

Lasting companies preserve core values while stimulating innovation

BY BRIAN GROOM

Marconi, Warner-Lambert, BellSouth, Lehman Brothers, Cadbury, Rowntree, Mannesmann, Aventis — the rate at which familiar corporate names are disappearing or losing their independence has speeded up, driven by deregulation, competition from emerging markets and technological change.

Business historian Leslie Hannah, a visiting professor at London School of Economics, examined 100 companies that were the world's largest in 1912. By 1995, 49 had ceased to exist — five had gone bankrupt, six had been nationalised and 38 had been taken over.

In his study, published in 1999, Hannah calculated that the "half-life" of big companies — that is, the time taken to die by half of the 1912 giants — was more than 80 years. Today, he reckons "it is probably nearer 30", marking a return to the pattern of the 19th and early 20th centuries, when corporate longevity was low.

Hannah adds: "There was a heyday of the large corporation between the 1920s and 1960s, which misled people into thinking that those giants could last forever." In that period, tariff barriers and stronger patent protection helped keep competitive pressures at bay.

This raises the issue of whether certain types of company or methods of governance are more likely to achieve lasting success than others.

Do family businesses, as is often suggested, have a longer-term focus than public companies with dispersed shareholdings? Are co-operatives, employee-owned companies and social enterprises — which have attracted attention since the financial crisis for their supposed stability — more likely to endure? What about partnerships, the traditional model in professional services?

"Structures evolve, it's all part of stimulating progress," says Jim Collins, author of books including *Built to Last* and *Good to Great*. "They change as companies grow. Structure at one size may not be appropriate at a different size."

In *Built to Last*, Collins and co-author Jerry Porras identified 18 "visionary" companies that achieved exceptional performance and had a distinctive impact in the long run — including American Express, General Electric and Walmart — and contrasted each with a less successful rival.

"There were lots of different types of structures. Some were decentralised, some were centralised. Some were operating in a lot of autonomous units while others were taking one big thing and making it bigger and bigger," Collins says.

Family groups tend to be more concerned about their legacy than just making money

1. General Electric's business has achieved exceptional performance throughout the years

2. The Co-operative Group, successor to the Rochdale Pioneers almost collapsed in 2013

He identifies principles that, in his view, apply across types of enterprise independent of industry, era and technology. Enduring companies have founders who build visionary organisations that outlast them, like Steve Jobs at Apple. They have a core purpose beyond making money. Disney's aim, for example, is to make people happy. Lasting companies preserve their core values while stimulating progress through innovation.

Collins has been criticised for deriving timeless principles from what may be transient success. Several companies in *Built to Last* later stumbled. But, he says: "Great companies can go through episodes

STORA
Founded 1288
Mining and forest products
Sweden's Stora, now part of Finland-based Stora Enso, is often cited as the world's oldest business corporation. The first share in Stora's copper mine, granting 12.5 per cent ownership to a bishop, dates from 1288. As Arie de Geus described in *The Living Company*, over centuries it coped not only with shifting social and political forces but also continually shifted its business, moving from copper to forest exploitation, iron smelting, hydro-power and eventually to paper, wood pulp and chemicals. Stora merged with Enso in 1998 and now it is shifting into biomaterials and green construction products. De Geus praised Stora for having the foresight to react to changes early.

PHOTOS: BLOOMBERG; GETTY IMAGES

of great difficulty and yet still come back." IBM, the technology giant that nearly died in the 1990s, fits that category.

Other theorists put longevity down to luck: markets change faster than companies are able to adapt. Collins concluded in *Great by Choice* that it was not luck that made the difference but "return on luck": successful ones made the most of their breaks and turned disasters to advantage.

Some of the world's oldest businesses are family owned, such as Nishiyama Onsen Keiunkan, a Japanese hot spring bathing house and inn founded in 705, run by 52 generations of the same family, or Italian gun manufacturer Beretta, family owned since 1526. According to a Bank of Korea report in 2008 covering 41 countries, there were 5,586 companies older than 200 years. Of these, 3,146 were located in Japan, 837 in Germany, 222 in the Netherlands and 196 in France.

"The understanding so far in our field is that not only do family-controlled companies perform significantly better than non-family controlled companies — that has been shown in many studies. We also believe they last longer," says John Davis, a Harvard Business School professor who heads the Cambridge Institute for Family Enterprise.

He says family groups tend to be more united than dispersed, anonymous owners and more concerned about preserving their legacy than just making money. Financial conservatism helps them survive downturns and means they have cash to invest in new areas.

Many family businesses, though, do not last beyond the second or third generation. A study by Stanford University, Harvard Business School and London School of Economics found that those that hand on the business to a family member, usually the eldest son, perform less well than those that appoint professional managers from outside.

Co-operatives and employee-owned businesses are often praised for resilience: shared ownership can give their members a sense of common purpose. There

CADBURY
Founded 1824
Confectionery
The British chocolate company set up by John Cadbury, a Quaker, lasted 185 years before succumbing to takeover by Kraft Foods of the US amid public opposition in 2010. Kraft's confectionery business became Mondelēz International , of which Cadbury is a subsidiary. Like other Quaker-owned businesses, Cadbury gained a reputation for product quality and benevolence. John's sons, Richard and George, built Bournville, the company village near Birmingham that pioneered decent working and housing conditions for employees. By 2010, the family owned less than 5 per cent of the company. Sir Adrian Cadbury, former chairman, described the takeover as a "tragedy". Mondelēz has pledged £75m investment in the Bournville plant in return for 200 voluntary redundancies.

are 1,926 co-ops in 65 countries with a combined turnover of $2.6bn, according to the International Co-operative Alliance. Co-operatives UK, a body representing the sector, says co-ops are twice as likely to survive their first five years as other businesses.

They are not invulnerable, though. The Co-operative Group, successor to the Rochdale Pioneers who began the movement in 1844, almost collapsed in 2013 when a £1.5bn black hole was found in the accounts of its bank.

One type of benevolent business that achieved success in Britain in the 18th and 19th centuries was companies created by Quakers. As nonconformists they were excluded from established professions, so they built businesses in sectors such as chocolate, drugs and banking. "They had a reputation for honesty," says James Foreman-Peck, professor at Cardiff Business School. Only a few survive today, however, including Barclays and Lloyds Banking Group. These were accused of losing touch with their ethical Quaker origins when they were fined for rigging the Libor interest rate.

Partnerships, the dominant model in professional services such as law and accountancy since the 19th century, in theory might also foster a long-term approach. When partners share unlimited personal liability for the actions of colleagues, it binds them to a common purpose.

The Big Bang of financial deregulation wiped out stockbroking partnerships

Disney's vision statement has been "to make people happy"

The model has eroded, however, partly because firms needed more capital as they grew. The Big Bang of financial deregulation in 1986 wiped out stockbroking partnerships in the City of London. By the turn of the century, 32 of the world's 50 largest consulting firms were publicly quoted. Many law and accountancy firms in the US and UK are now limited liability partnerships. The Big Four accountants — Deloitte, PwC, EY and KPMG — trace their origins to the mid-19th century, but 30 years ago they were the Big Eight.

What of the future for corporations? Richard Foster, a Yale University management professor, calculates that in the 1920s US companies lasted on the S&P index for about 65 years on average. Today, that is down to 18 years and he thinks it could eventually fall to 10.

Foster believes companies in sectors such as energy, transport, food and communications may have a better chance of surviving than others. He adds: "The very best operators, who are the most efficient and make best use of capital, will last the longest."

Creative destruction may be good for an economy, but no company wants to die. Achieving lasting success, though, looks harder than ever. ■

PHOTO: 2015 DISNEY/PIXAR

"Reshaping the world around us is a fundamental part of being human. We want to unlock that power for the next generation."

Alex Klein
CEO & Co-Founder
Kano

Barclays Corporate identifies potential high growth businesses at an early stage and looks for ways to support them with the right banking and financing solutions. For more information visit barclays.com/corporatebanking

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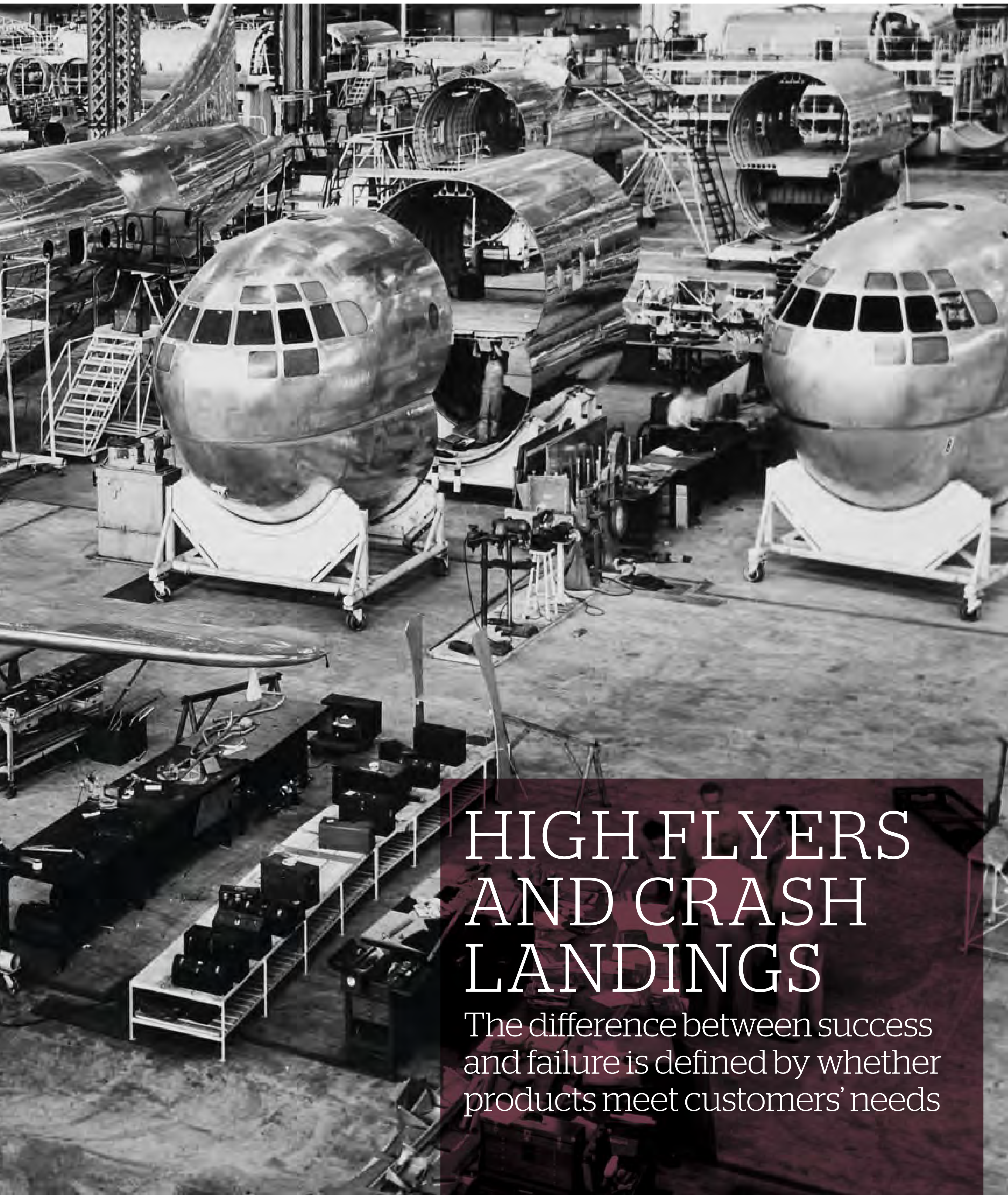
Alex credits his young cousin Micah with the idea - a build-it-yourself computer with a comic book instruction manual so easy a child could follow it. Undeterred by a lack of experience, he embarked on developing the prototype with his friend and co-founder Yonatan. "The virtue was that we approached things with a beginner's mind," he says, "We just opened a sketch book and started to put it together as a story." Yonatan went to China to source the components and a fully-functioning prototype was assembled in their small North London flat. Kano was born. They tested it with a class of schoolchildren. "It took them an hour to go from zero to actually making games, without any help. All we did was engage their excitement and imagination." The first round of investment for Kano was crowdfunded and raised 15 times its target amount. "That was amazing, but having 14,000 backers isn't sustainable. We needed a revolving working capital facility from a single, trusted backer, and we chose Barclays. Having that relationship in place has been key to our growth strategy." With 50,000 kits now manufactured, Alex is a step closer to realising his ultimate ambition. "Anyone, anywhere, at any age, should be able to build and code their own computer," he says, "That's what Kano is about. It's technology with a mind and a soul."

SECTORS

Boeing broke new ground in commercial airliners with its 1947 Stratocruiser

PHOTO: POPPERFOTO/GETTY IMAGES



HIGH FLYERS AND CRASH LANDINGS

The difference between success and failure is defined by whether products meet customers' needs

BY ROBERT WRIGHT

In a hangar belonging to business jet maker Gulfstream on the outskirts of Savannah, Georgia, aircraft in varying states of assembly sit nose to tail, workers bustling around them. By the time the twin-engine G650s reach the front of the hangar they are nearly ready to be flown to their customers. The aircraft, which can fly 7,500 nautical miles non-stop as the extended-range (ER) version, cost up to $66.5m for the ER — and demand is buoyant. The company is due to manufacture 115 of the top-end jets this year, and orders are rolling in faster than Gulfstream's workers can build them.

In Wichita, Kansas, 1,200 miles to the west, the production line for Hawker, a manufacturer of smaller corporate jets, has been silent since shortly after its then parent, Hawker Beechcraft — an amalgam of two companies from the early days of powered flight — entered bankruptcy in 2012. Hawker proved incapable of operating sustainably in the same business conditions that have produced buoyant demand for Gulfstream.

The two groups' contrasting fortunes reflect many of the factors that determine whether companies in aerospace — and another capital-intensive manufacturing sector, the auto industry — survive or perish. Gulfstream has flourished because the G650 has features customers want — particularly its range — and can find on no other aircraft. Hawker Beechcraft failed to differentiate itself in a crowded field and invested heavily in developing aircraft with carbon composite fuselages, which commanded an insufficient premium for the costlier, lighter material.

Development projects in the auto industry tend to be on a smaller scale than in aerospace, but similarly critical. It was because they devoted too little capital to product development that the US's big three carmakers — General Motors, Ford and Chrysler — failed in the past decade to compete effectively with overseas rivals' products in the US. On the other hand, many analysts attribute the failure of Germany's Volkswagen to compete well in the US market in recent years to its failure to develop products in step with US consumers' tastes.

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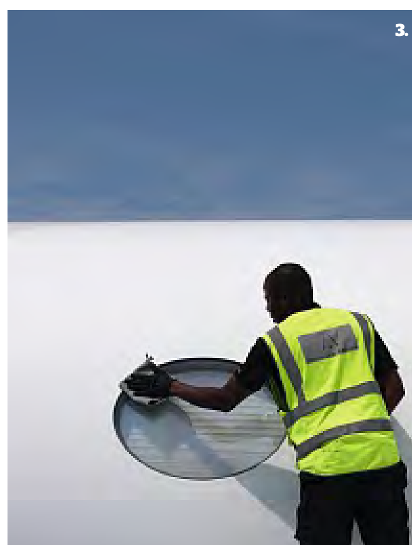
'Each time Boeing innovated with a new plane, it ended up betting the company'

Loren Thompson, an analyst at the Lexington Institute, a Virginia-based think-tank, explains the risks with reference to Boeing, one of the duopoly that dominates the world market for commercial jets. The company has broken more ground than most rivals, building a pioneering turboprop aircraft, the first modern jetliner and the 747 jumbo jet.

But Thompson adds: "Each time Boeing innovated with a plane, a new product, it ended up betting the company. If the bet had gone wrong, Boeing would have gone the same way as the Glenn L Martin Company, one of the pioneers of jet aviation." (Founded in 1912, Martin merged with a building products and chemicals company in 1961.)

The risks are so complex, says Richard Aboulafia, an analyst at Virginia-based Teal Group, an aerospace market research firm, that successful companies generally need a degree of luck. In the US automotive business in recent years, for example, recovering manufacturers have been buoyed by one of the longest, strongest sales recoveries on record.

Among the makers of big business jets, Gulfstream had the good fortune to face a competitor that was distracted. For much of the past decade, Canada's Bombardier — traditionally the market leader, ahead of Gulfstream and France's Dassault — has been preoccupied by the costly and



1. An Airbus A350 XWB being assembled at the company's factory in Toulouse, France
2. Capt Richard E Byrd with the Fokker plane in which he attempted to fly to the North Pole in 1926
3. A Gulfstream business jet

time-consuming process of trying to break into the narrow-body commercial jet market with its C Series aircraft. The process has delayed development of Bombardier's Global 7000 and 8000 jets, planned competitors for the G650. The company has "shot itself in the foot with the C Series", Thompson says.

It was Hawker Beechcraft's misfortune to have been operating in a more competitive field, which included the jet business of industry pioneer Cessna, Bombardier's mid-size Learjet aircraft and Brazil's Embraer. It was still more unfortunate that Embraer proved to be "aggressive and extremely good", says Aboulafia. "It basically took [Hawker's] market share." Hawker Beechcraft's fall from grace was complete in 2014 when was it bought by Textron, Cessna's parent.

Carmakers can mitigate risk by developing common platforms for vehicles with different bodies that can be introduced worldwide. The smaller volumes in aerospace, however, make the calculations different. Boeing, the biggest aerospace company in the US by sales, is still accumulating losses on its groundbreaking 787 carbon-composite long-haul jet, whose development took far longer and cost far more than intended. Rival Airbus has yet to recoup the development costs of its A380 super-jumbo, which has proved less attractive to airlines than expected.

Tom Enders, Airbus's chief executive, told the Financial Times in 2013 that both companies had got "carried away" in the past after trying to introduce new technologies that turned out not to be "as mature as they should be".

Hawker Beechcraft invested heavily in developing carbon-composite fuselages for its Premier I business aircraft and subsequently the Hawker 200. While the Gulfstream G650 features some composites, its fuselage and wings are predominantly traditional aluminium.

Aboulafia sums it up: "Hawker Beechcraft said, 'Composites are the future; people will pay for composites.' Gulfstream said, 'We just don't see that at all; we're not in the business of developing technology for technology's sake.'"

The calculations involved are similar to those in the auto industry over whether to abandon steel for some vehicle bodies in favour of aluminium. Ford last year took the audacious decision to launch an aluminium-bodied version of its F-150 pick-up truck — the F-Series accounts for the majority of its worldwide operating profits. Other carmakers are following its lead.

The differing approaches of Gulfstream and Hawker Beechcraft meant they entered the economic downturn — when demand for Hawker's midsize jets collapsed — in very different conditions. Hawker's problems were exacerbated by the reluctance of its owners, a consortium of investment bank Goldman Sachs and Onex, a private equity firm, to provide more capital.

There are similar lessons from the fate of Fokker, the Dutch commercial aircraft maker, whose costs for simultaneously developing two new models — the Fokker 100 and Fokker 50 — ran out of control. The company went bankrupt in 1996.

Bombardier faces a markedly similar crisis after costs for developing its C Series ballooned from an initially projected $3.4bn to $5.4bn and introduction to service slipped from 2013 to a date currently set for early next year.

When car sales collapsed in 2008, Chrysler faced an especially intense crisis because it was owned by Cerberus, a private equity firm with limited appetite to commit more capital. Alone among the big three US carmakers, Ford avoided going into bankruptcy protection largely because in 2006 it had expanded its borrowing capacity to $25bn to prepare for a potential slowdown.

The lesson of these cases is to "have a home with deep pockets", Aboulafia ▸

FOKKER
Founded 1912
Aircraft maker
When other European aerospace companies were joining forces in the company now called Airbus, Fokker of the Netherlands – once one of the world's most important aircraft manufacturers – stayed proudly aloof. But that position proved uncomfortable in an increasingly consolidated industry. Fokker tried co-operating with McDonnell Douglas (since taken over by Boeing) with little success. The company sought to develop two new aircraft – the Fokker 50 and Fokker 100 – but faced mounting costs that forced it to seek a government bailout in 1987. Fokker limped on, but when its strategic partner, Germany's Dasa, cut off funding in 1996, it was almost immediately declared bankrupt and went out of the aircraft manufacturing business. Other parts of the company were bought and lived on, from 2010 as Fokker Technologies – which in October was acquired by GKN Aerospace.

PHOTOS: TIME LIFE PICTURE COLLECTION/GETTY IMAGES; BLOOMBERG; UNDERWOOD & UNDERWOOD/CORBIS

Ford launched an aluminium-bodied version of its F-150 pick-up truck

‘To survive, large companies occasionally have to turn to the government for help’

says — as Gulfstream, owned by General Dynamics, the military contractor, does.

“When Hawker Beechcraft went under, it was owned by private equity, who were getting tired of not seeing the light at the end of the tunnel,” he says. “For Gulfstream, if there are bad times now, it is owned by General Dynamics.”

Yet the importance of the aerospace and the auto industries — the scale of the projects, the numbers of jobs they generate and the risks involved — means, according to Thompson, that a non-commercial relationship can also be critical. Company after company when facing tough financial times has turned to its government. The US and Canadian governments extended lending to Chrysler and invested heavily in GM to ensure they continued to operate.

In aerospace, that relationship is most obviously vital for companies making military aircraft. Lockheed Martin of the US, for example, is the world’s biggest military contractor in part because the US government decided to supply its air force, navy and marines with variants of a single fighter aircraft, the F-35. Lockheed Martin won the contract to build the aircraft.

Involvement goes beyond the military, however. Airbus owes its existence to European governments’ decisions in the late 1960s and early 1970s to bring together their national aerospace industries to work collectively. Boeing has regularly turned to the US military for orders at times when commercial orders have been weak.

Meanwhile, Bombardier could be about to write a new chapter in its story. Having failed to persuade Airbus to buy a majority stake in the C Series, the company looks to have few alternatives to seeking help from Quebec’s provincial government. Bombardier is reported to have approached the province’s Caisse de dépôt et placement investment fund about a potential cash injection.

Such a move would be no surprise to Thompson. “It’s a myth that large industrial companies survive indefinitely without occasionally turning to the government for help,” he says. “They look wherever they must in order to survive hard times.” ■

CHRYSLER
Founded 1925
Carmaker

Historically, Chrysler’s position as third-largest of the US’s big three carmakers, after General Motors and Ford, has meant it has struggled to achieve scale and market reach. That prompted an ill-fated expansion into Europe in the 1960s. Then, in 1998, it merged with Germany’s Daimler, whose sale of Chrysler in 2007 to Cerberus, a private-equity firm, left the company vulnerable just as the US market neared one of its biggest-ever slumps. Chrysler had to seek bankruptcy protection in 2009 and was bought by Italy’s Fiat in 2011, but the debt-laden group is seeking yet another merger to secure its future.

PHOTO: BOB D’OLIVO/GETTY IMAGES

Cutover is the moment an old system is replaced by a new system going live. "Think of a company upgrading its software, or a new building being fitted out, or even a catastrophic event like a data centre fire that needs to be planned for," says Ky, "Failures during cutover damage businesses and disrupt people's lives, yet they happen all too often." The reason, he believes, is because we are still using old tools. "A cutover event is essentially a massive list of tasks that need to be done. Most projects are still using bog-standard spreadsheets to manage them and that exposes you to human error." He has a plan to change all that. It's a collaborative software platform for real-time visualisation and planning, called, appropriately enough, 'Cutover'. It is just one of many start-ups selected from hundreds for the latest intake of the Barclays Accelerator, an intensive development programme in partnership with Techstars. "We've made three years of progress in three months," says Ky, describing how Cutover has leapt from concept to first contract in just 66 days. "The Accelerator has allowed us to ramp extremely quickly, which ultimately helps us deploy sooner and start to eliminate these avoidable, but damaging and expensive mistakes."

"If your data centre catches fire does your back up plan actually work? That's where we come in."

Ky Nichol, CEO & Co-Founder, Cutover

The Barclays Accelerator provides an intensive 13-week programme to selected start-ups, giving them access to Barclays data and technology, world-class mentorship, global networks and working facilities. For more information visit barclaysaccelerator.com

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POWER FOR THE PEOPLE

Energy plays such a central role in modern economies that its supply is heavily controlled

BY ED CROOKS

In the energy business, change comes slowly. The filament light bulb, developed in the 1870s, is only now becoming obsolete. Cars with internal combustion engines were first patented in the 1880s and still dominate personal road transport today.

Even individual assets can remain productive for many decades. Saudi Arabia's Ghawar, the world's most prolific oilfield, was discovered in 1948. The Oyster Creek Generation Station in New Jersey was the first large-scale commercial nuclear plant to come on line in the US, in 1969, and it is running still, although scheduled to be shut down in 2019.

So it should not really come as a surprise that many companies engaged in the production and energy also exhibit impressive longevity.

The only survivor in today's Dow Jones Industrial Average from the index of 1896 is General Electric. One of the three additional survivors from 1924, alongside DuPont and AT&T, is Standard Oil of California, now known as Chevron.

Yet the long-established oil and gas companies now face what are arguably the most serious threats in their lifetime. They are coming under attack on two fronts: from renewable sources, principally wind, solar and biofuels, which are backed by governments in all the world's leading economies, and from smaller, nimbler companies that have discovered new ways to extract oil and gas from previously unyielding shale rocks.

The history of the energy industry suggests a few of the important qualities that are needed for long-term survival. One is the capacity for innovation and adaptation to new challenges. In the past half-century, the most easily accessible resources have disappeared from the sphere of influence of western oil companies, either because the reserves have been depleted or because they have been closed off by governments.

In the 1970s, companies including Exxon, BP and Shell pioneered the development of previously inaccessible reserves on the North Slope of Alaska and the North Sea. Innovations including the application of the latest computers to help analyse geological data were essential for unlocking those reserves.

Companies engaged in the production of energy can exhibit impressive longevity

More recently, the successes of Chevron and other companies in finding oil in deep water in the Gulf of Mexico and off the west coast of Africa, pushing back the frontiers of what is possible in terms of water depths for drilling, have been essential to sustaining their growth. Energy companies that failed to innovate in that way would not survive very long.

PHOTO: BURAK MILLI/ANADOLU AGENCY/GETTY IMAGES

Renewable sources, like wind, are backed by governments

A second essential characteristic for longevity is the ability to cope with setbacks. Energy companies deal with hazardous substances and with facilities such as production platforms that can cost many billions of dollars, so the potential for large-scale disasters is always present. After the Exxon Valdez tanker spill in Alaska in 1989, Exxon used the accident as a catalyst for a transformation of its safety policies and practices that was widely acclaimed in the industry. After the 2010 Deepwater Horizon disaster in the Gulf of Mexico, BP faced persistent questions about whether it could continue as an independent company, although the British government has signalled that it would probably obstruct any attempted takeover.

The setbacks that bring companies to an end can be financial reversals as well as accidents. Oil, gas and power are commodities, and like all commodities their prices go through cycles. To survive in the long term, companies have to be able to cope during the down phases of the cycle. At the end of the 1990s, in the industry's mega-merger wave prompted by the last prolonged period of weak oil prices, the boards and investors of companies including Amoco, Mobil and Texaco decided they were better off accepting bids from BP, Exxon and Chevron respectively, rather than attempting to remain independent.

The third important quality for any energy company's survival is the ability to manage complex and shifting relationships with governments. Energy plays such a central role in all modern economies that its supply, distribution and use are inevitably politicised. Companies that fall out with the political authorities too fundamentally can be broken up, as John D Rockefeller's Standard Oil was in 1911 — or have their assets confiscated. In less extreme forms, a lack of political support can cost energy companies in the loss of access to resources or of tax breaks and other incentives.

Today, all of the characteristics that have contributed to the longevity of the big oil companies are being put to the test. They have been out-innovated in the past decade by smaller, more agile companies that have pioneered production of first gas and then oil held in shale rocks, through the combination of horizontal drilling and hydraulic fracturing. The resulting surge in US crude production has been one of the principal factors behind the plunge in oil prices, which is putting huge strain on the large oil companies' finances.

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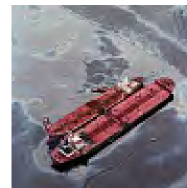
Oil companies have also shifted towards gas
2.
Brent prices have dropped sharply from $115 a barrel in 2014
3.
Long-established oil companies face threats from the advent of solar energy



EXXONMOBIL
Founded 1999
Oil and gas
It is a testament to the extraordinary achievement of John D Rockefeller Sr that, 78 years after his death, just a fragment of the empire he created is still the world's largest listed oil company by market capitalisation. When Rockefeller's Standard Oil was broken up into 34 separate companies, one was Jersey Standard, which changed its name to Exxon in 1972. It was a pioneer in opening up Alaska and the North Sea. It became ExxonMobil with the 1999 deal to buy Mobil, itself a successor company of Standard Oil.

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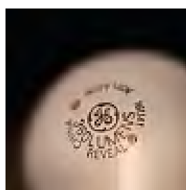

GE
Founded 1892
Conglomerate
The long view of General Electric's 123-year history shows a process of diversification followed by refocusing. From its origins in electric light bulbs and power generation, GE expanded into domestic appliances, plastics, aircraft engines, medical equipment and even entertainment. It also built up a huge financial services business, which at times generated more than half the group's earnings. The new GE has also become more involved in energy by building up a large division serving the oil and gas industry.

3

The world is moving towards tighter curbs on emissions of greenhouse gases

The shale producers have also been hurt by weak prices, and US oil output has started to fall, but there are indications that they would be prepared to start investing in increasing production again at an internationally traded Brent crude price of about $65. If so, that level could become an effective ceiling for the oil price, at a level well below the recent peak of more than $115 a barrel last year, and also below the prices that the large oil companies need for many of their higher-cost investments to be profitable, in areas such as Canada's oil sands.

EOG Resources, one of the most successful shale oil producers, has been dubbed "the Apple of oil" by the analyst Paul Sankey of Wolfe Research, because of its ability to deliver profitable innovation. Under that analogy Exxon and Chevron might be the industry's equivalents of Hewlett Packard, or Dell.

Behind that threat, though, an even more fundamental challenge is lurking. The world is moving towards tighter curbs on emissions of greenhouse gases, a trend that will be confirmed at the UN climate talks in Paris in November and December. For fossil fuel companies, that means tighter regulations, higher costs and constrained demand for their products.

One response from big oil companies is a shift towards gas, which is attractive for power generation in a carbon-constrained world because it results in roughly half the emissions of coal for the same production of electricity. Gas-fired power can also be complementary to renewable sources such as wind and solar because it can be ramped up and down relatively efficiently to cover shortfalls in generation from those intermittent sources. Many large European oil companies have backed government action on climate change, along with Saudi Aramco and Reliance of India, and can expect to benefit from a shift from coal to gas.

That may not be a long-term solution, however. Carbon Tracker, a research group that works on climate change, has argued that if the rise in global temperatures is to have a reasonable chance of staying within an acceptable increase of 2C, about 60 to 80 per cent of the reserves of oil, gas and coal held by listed companies cannot be burned.

For fossil fuel companies, the implications are profound. They may reject the link between their operations and climate change, but if governments take further steps to address concerns about global warming, the resulting policy changes will curb demand for fossil fuels. Big oil companies have made moves into other forms of energy in the past, including Exxon in the 1970s and BP in the 2000s, and those have largely proved to be mis-steps. The conclusion that many have drawn is that oil and gas companies are better off sticking to what they know, and leaving renewable and nuclear energy to others.

If Chevron, Exxon and the others still want to be here in another 100 years, they may need to think about more radical changes than the ones they needed in the past century. ■

PHOTOS: REUTERS; GETTY IMAGES; AP; BLOOMBERG

RELIGION AND THE KEYS TO SURVIVAL

Pope Francis, with his easy blend of innovation and tradition, is one case study in how to move with the times

BY RACHEL SANDERSON

Premiering at the Venice International Film Festival in September was a documentary about the Vatican's Swiss guards, the tiny army that has served as security to successive popes since 1506.

The revelation of *The Smallest Army in the World*, directed by Gianfranco Pannone, was not the pomp and ceremony of the world's oldest institution, but the banality: daily toil marked by cramped meeting rooms, dull, repetitive tasks and hours spent waiting for the boss.

That the boss is Pope Francis — who in a lingering offstage pan-out is seen, visibly tired, walking away from a meet-and-greet with pilgrims — becomes almost secondary to the familiar everyday drama of coping inside a vast organisation.

For any business gurus looking for tips there was another message: organised religion — with the 2,000-year-old Roman Catholic Church *in primis* — is full of lessons for businesses seeking long-term survival.

Since Pope Francis was elected in March 2013 it has become popular to consider the Argentine pontiff as a turnaround chief executive at the world's oldest multinational.

When he took on the job after the unexpected resignation of his predecessor amid rumours of a murky plots, followers were quitting, disenfranchised top-level members of the administration were leaking the contents of private meetings to the media and finances were in crisis.

In a classic example of disruption, the cardinals of the conclave — in effect the "board" of the Catholic Church — went for an outsider: Jose Maria Bergoglio is the first Jesuit pope, the first from the Americas, the first from the southern hemisphere and the first non-European pope since Syrian Gregory III in 741. Getting the young onside, and those tricky millennials, he has become a big user of social media and a deft self-promoter, always smiling for the close-up. He was also quick to seek to transform what he sees as inflexible structures.

But at the same time, he has maintained many of the traditional views of the status quo on key issues such as abortion, euthanasia and the ordination of women, thus keeping the core constituency on his side. As a Jesuit, an order that credits itself with spurring the development of accounting, he has also cleaned up the church's finances. Following the model of the most enlightened chief executives, Pope Francis has also had the strength to put in charge of the clean-up the Vatican's top money man, Cardinal George Pell — who had already staged a tough financial restructuring on his diocese in Sydney — despite the fact that the two have very different views on doctrine.

Pope Francis's first visit to the US — a

ZOROASTRIANISM
Founded c1200BC
One of the world's oldest religions, and one of the most liberal and inclusive. For a thousand years forms of Zoroastrianism were the world's most powerful religion, serving as the state religion of pre-Islamic Iranian empires. One of its most famous maxims is "Do the right thing because it is the right thing to do, and then all beneficial rewards will come to you also." It was mostly submerged by Islam following the Muslim conquest of Persia in the seventh century. There remain an estimated 2.6m Zoroastrians, most in India and Iran.

In a classic example of disruption, the board of the Vatican went for an outsider

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tough audience — showed the fruits of his success: 80 per cent of American Catholics approve of the direction in which he is taking the Church, according to a New York Times/CBS poll published in September.

Eugenio Pinto, associate professor of accounting and business economics at Luiss university in Rome and an expert in Vatican administration, points out that "to have existed for 2,000 years makes the Catholic Church arguably the most expert body in governance".

The person making decisions 'must be more wise, more intelligent, more balanced'

Despite appearances of rigidity, over time it has demonstrated it is "capable of adapting to different circumstances and different cultures", he adds.

But the key lesson from organised religion for any business executive has to be the strength of control by a few at

ANGLICANISM
Split from Rome 1534
A branch of Christianity that started with an angry breakaway from the Catholic Church by Henry VIII over the right to divorce and other issues, is now one of the world's foremost religions. It has more than 85m followers, in branches ranging from American Episcopalian to African Anglican. While the break from Rome mirrors many splits in family businesses, unlike many family concerns both sides have kept their wealth. The Church of England, for example, has investments alone of more than £5bn.

1. A canonisation mass held by Pope Francis
2. Pope Francis arrives for an audience in St Peter's Square, Vatican City

the top. "If you look at the by-laws over centuries they have always had a few people decide for everybody; because democracy creates a lot of confusion and uncertainty. You cannot manage with everyone having a voice," he says.

The latter part of Pope Benedict XVI's papacy provides enough examples of the matter, when everyone from the butler to the most senior members of the Vatican administration was leaking tales of murky infighting to the press. The battle within the Church of England to allow women to be bishops is another case study in the risk of losing consensus.

Pinto makes a point about religious leaders that applies equally to business chiefs: the person given the responsibility to make decisions that affect others "must be — or should be — the person who is more wise, more intelligent, more balanced and so on", he says. That is, as he adds, "sometimes true — and sometimes not".

Given that religions seem to have largely solved the problem of longevity — if not, perhaps, immortality — it is hard to escape the message that autocratic rule by a few does seem to work. ■

PHOTOS: AFP/GETTY IMAGES; EPA; REUTERS

CUTTING THROUGH A WEB OF WIRES

For tech companies, product innovation does not always guarantee success

BY RICHARD WATERS

As head of Xerox's Palo Alto Research Center throughout the 1990s, John Seely Brown was in charge of one of Silicon Valley's most creative research labs.

Parc had invented many of the technologies that defined the personal computer era, such as the graphical user interface. It was where Steve Jobs, on a visit in 1979, picked up the ideas that inspired what was to become the Macintosh.

According to Walter Isaacson's biography of Jobs, the Apple co-founder had no trouble understanding the significance of what he was seeing that day. His reaction to the Parc breakthroughs: "You're sitting on a goldmine. I can't believe Xerox is not taking advantage of this."

The width of a continent away, at Xerox's east coast headquarters, it was not so obvious. According to Seely Brown, the new ideas emerging from the Silicon Valley lab were rejected by the managers responsible for maintaining the company's established business — what he calls its "core".

"When we pushed them into the core, the immune system of the core ate them up," he says.

Xerox's failure to capitalise on its own in-house inventions has become one of the tech industry's most notorious examples of missed opportunity. It did not prove fatal: Xerox is still very much alive, passing its first century nine years ago. But it missed the chance to become a leader of the new personal computing industry and has played only a marginal role in the digital revolution ever since.

Old tech companies sometimes survive a surprisingly long time. Very few, though, manage to stay at the forefront through successive generations of technology, says Sir Michael Moritz, a partner at venture capitalist Sequoia and early backer of companies including Yahoo and Google. "It's easier to survive than to continue leading," he says.

The seismic shifts that have reverberated through the tech world over the past half century have turned out to be disruptive to all but a small handful of companies either flexible or lucky enough to adapt. The moves from mainframe computing, first to mini-computers then PCs, the internet and smartphones, have brought successive waves of new companies to the fore.

For the incumbents, running a successful business while anticipating the next upheaval presents a challenge that is acute in tech. "Unlike a ketchup or a soft drink brand, it's much harder to run your business when you have to spend an enormous of time and effort on research and development," says Sir Michael.

Running a successful business while anticipating the next upheaval is acute in tech

Even the biggest tech companies are facing disruption from cloud computing, which allows customers to outsource their all their storage needs

PHOTO: BLOOMBERG

TERADATA

A new generation of tech companies wants to prove that it will have more staying power

Even tech companies that see the future clearly often have a hard time adapting to technologies that require an entirely different business approach.

Eastman Kodak, unlike Xerox, was keenly aware of how digital technology would overtake the analogue products on which its fortune was based. Already 85 years old at the time, it was far-thinking enough to develop the world's first digital camera, in 1975.

But Kodak failed to follow through. It was overtaken by faster-moving rivals with lower costs and the freedom to reimagine how people would want to capture and share pictures in a connected world.

Together, the Xerox and Kodak cases are symptomatic of a wider problem in the tech world. Both companies rode their founders' original inventions for decades and became synonymous with 20th-century American capitalism. But when the technology foundations on which their fortunes had been built began to shift, they failed to adapt.

The shortening of corporate life expectancy caused by the digital revolution is not limited to the tech industry. Fast-moving start-ups, using the low-cost and flexible technologies of cloud computing, along with the global reach of the internet, pose a serious threat to all companies trying to maintain leadership in their industries, says Seely Brown.

He quotes figures from Richard Foster, co-author of *Creative Destruction*, to make his point. In 1958, the average US company in the S&P 500 had been in the index for 61 years: by 2012, that had fallen to just 18 years. No company is now safe. But the periodic shifts in computing have made the tech world a particularly difficult place to operate.

As a result, the sector's rare long-term survival stories stand out. But it is hard to find a common explanation for their success.

Apple, currently the world's most valuable company, is rare in having been a pioneer in two different eras, first personal computing and then, after a brush with bankruptcy, in smartphones.

"It's a company that got started twice by the same man, that's the difference," says Sir Michael who, as a journalist, followed Apple's early years closely.

Like many in Silicon Valley, Sir Michael links success closely to the personal involvement of company founders, and has little time for later generations of hired managers. In this view, the golden age of tech start-ups seldom outlasts their creators — and few founders have the personal longevity to keep their companies at the forefront for a protracted period, like a Rupert Murdoch or a Warren Buffet. On this reading, tech companies are never built to last.

Yet a handful have defied the odds. Most notable has been IBM, which went through a near-death experience a quarter of a century ago after the rise of personal computing threatened its mainframe-centric business. Thanks to the long-term nature of corporate information technology investments — the huge costs in existing systems that tie customers to the same suppliers for long periods — companies like this still have a chance to adapt, provided they can rebuild their products and services to suit new buying habits.

But even the biggest are now facing disruption from cloud computing, as customers turn away from buying technology to run in their own datacentres and instead outsource their IT needs to companies such as Amazon Web Services.

"IBM is struggling, even though it looked like they'd reinvented themselves," says Tim O'Reilly, a US tech publisher and commentator. "I think a lot of the traditional tech companies are really troubled."

SAMSUNG
Founded 1938
Conglomerate
Like Nokia, which started life producing wood pulp, Samsung's origins have little to do with the consumer electronics for which it is now best known. From its founding as an exporter of dried fish and other food to China, Samsung expanded steadily with the emerging South Korean economy to become the largest of the country's family controlled chaebols, or conglomerates. Starting with TVs, it has pursued a remorseless strategy of vertical integration in electronics for nearly half a century, using its scale in fields such as LCD screens and semiconductors to become the world's largest smartphone maker.

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making sure he wasn't outflanked by the move to mobile," says Sir Michael.

Google, which failed to break into social networking, has also been grappling with the mobile transition. But its founders have their own idea of how to transcend their internet search origins and defy corporate mortality. By relaunching as holding company Alphabet, they hope to turn Google into the first company capable of pursuing a range of giant, unrelated technology bets.

It is an ambition that its chief executive Larry Page hopes will also make it the world's first trillion-dollar corporation. History suggests, though, that even for a company as rich and brainy as Google, it will not be easy to break free from the tech industry's cycle of creative destruction. ■

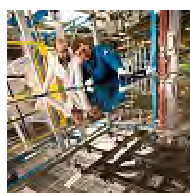
As a result, massive upheaval has been sweeping through industry, carrying away older companies through a series of big mergers that has spread from chip makers into IT systems.

Some, like Dell, which is planning the tech industry's biggest acquisition with the purchase of storage maker EMC, hope to position themselves as the consolidators. Others, like Hewlett-Packard — which itself tried to grow bigger through acquisition — have reversed course and are breaking up.

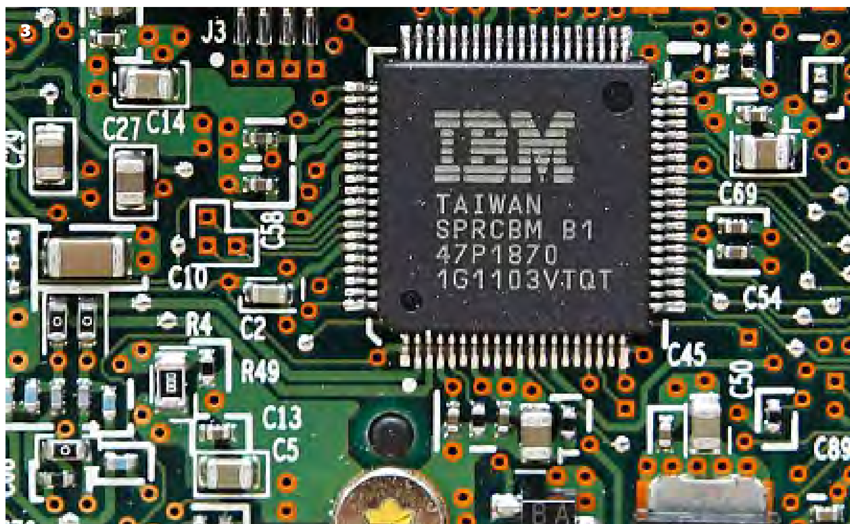
In the shadow of what is fast turning into one of the tech industry's biggest upheavals, a new generation of companies is now trying to prove that it will have more staying power. Yet even for these companies, there is little breathing room.

Facebook, born in the desktop computing world, has already been forced to adapt. Founder Mark Zuckerberg used the acquisitions of mobile apps Instagram and WhatsApp to reposition itself for the smartphone era, and with the purchase of virtual reality company Oculus the company has made a conscious attempt to put itself at the forefront of what could be the computing industry's next big wave, based on virtual reality.

"Mark Zuckerberg was masterful in



CORNING
Founded 1868
Glass and ceramics
An early example of Corning's approach to developing new materials and then using them to invent new businesses was a heat-resistant glass developed for train signalmen's lanterns, which was then repurposed as cookware and branded Pyrex. Though under family control for much of the US glassmaker's history, Corning has not always been insulated from the upheavals of the tech world. It was forced to contract sharply after being caught up in the optical networking boom and bust of the late 1990s. But a culture of deep research and long-term investment has contributed to its unusual longevity.



1. Google relaunched as Alphabet earlier this year
2. Apple has lately been a pioneer in smartphones
3. IBM's business ran into trouble after the rise of personal computing
4. Xerox has come a long way since Chester Carlson invented its trademark copier

PHOTOS: BLOOMBERG; REUTERS; CORBIS

REGIONS

The 16th-century Osaka Castle, built by Kongo Gumi

PHOTO: COWARDLION/DREAMSTIME

DEEP ROOTS IN NEED OF A TONIC

Japan's leader wants more companies to die and give way to start-ups

BY ROBIN HARDING

Genuemon Sudo is the 55th generation of his family to brew sake amid a small grove of zelkova trees in the east of Japan. In its 874-year history, his Sudo Honke brewery has survived earthquake and typhoon, war and revolution, ruthless feudal overlords, a militarist nationalising government and, even worse, the arrival of lager.

Genuemon Sudo remains obsessed with the purity of his well water, the quality of local rice and caring for the trees that screen, shield and cleanse his brewery. "I learned these values from my father and grandfather, and I'll pass them on to my children and grandchildren," he says.

Family is one reason why Japan has such a large number of extremely long-lived companies. Sudo Honke is merely the 10th oldest. Kongo Gumi, which builds temples, was founded in 578. Nishiyama Onsen Keiunkan, which dates from 705, is the world's oldest hotel.

These companies are testimony to the endurance of Japan, defeated but never colonised, and the communitarian spirit which helped it through crises that could have been terminal. But there is also a darker side to the longevity of Japanese corporations. When companies do not die, there are no raw materials from which new ones can be born; it is common to meet talented people who are wasting their lives trying to revive some aged corporate behemoth, instead of working for a start-up.

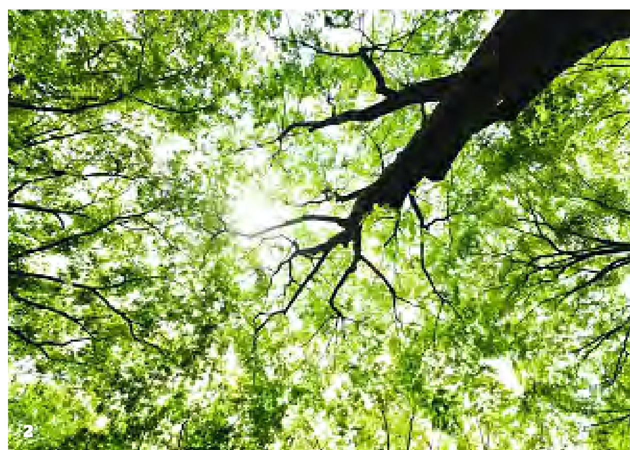
The OECD argues that business dynamism and turnover are crucial for productivity growth. Companies in Japan are born and die at a slower pace than in any other rich nation. Japan's prime minister, Shinzo Abe, who recognises the problem, is trying to kill more companies.

KONGO GUMI
Founded 578
Construction
Kongo Gumi's foundation story is more like a creation myth: "In 578, Prince Shotoku invited three carpenters to Japan, and among them was Shigemitsu Kongo. The carpenters built Shitennoji, Japan's first public temple." Kongo stayed to found the builder widely regarded as the world's oldest company. Religion was a reliable customer: Shitennoji alone has since been destroyed by fire, typhoon, earthquake and bombing. But Kongo Gumi also proves age does not confer immortality. It took on too much debt in the 1980s, leading to liquidation and a takeover by construction giant Takamatsu in 2005. (Pictured is Seigantoji, another Kongo Gumi construction.)

Companies in Japan are born and die at a slower pace than in any other rich nation

1

Sudo is 42 years into a 100-year plan left by his family. It gets adjusted along the way



1.
The Shibuya commercial hub of Tokyo – fast paced, but slow in corporate change

2.
Zelkova trees, whose cleansing properties Sudo Honke brewery values in its processes

As part of his "third arrow" of structural economic reforms, he has a target to raise the current 5 per cent rate of business start-ups and closures to 10 per cent.

"Bold moves should be taken to discard old facilities, equipment and assets so that [they] can be replaced with the state-of-the-art," says his growth strategy.

When a company has lived for centuries, however, the will to survive is strong. Asked the secret to his brewery's longevity, Genuemon Sudo's first thought is how it has served the local community. It was originally founded, he says, to give farmers a way to make a processed product and pay their taxes. "When the Fukushima disaster hit [in 2011], we quickly investigated for any nuclear contamination. If there had been any it would have been the end," he says. "Fortunately, there was none."

Another quality of such enduring Japanese companies is an exceptionally long planning horizon. Sudo is 42 years into executing a 100-year plan left by his family. It gets adjusted along the way.

Long-term thinking is also the mindset of Norimitsu Nakata, chairman of Ozu Corporation, which at 362 years old is one of the most venerable companies listed on the Tokyo Stock Exchange. (Matsui Construction, founded in 1586, is the oldest company on the market.)

PHOTOS: SEPAVO/DREAMSTIME; LUCAS VALLECILLOS/ZUMA PRESS/CORBIS; ISTOCK

OZU CORPORATION
Founded 1653
Paper, fabrics and other products
Norimitsu Nakata, Ozu chairman, points to where his company's shop stood in a traditional *ukiyoe* print of Tokyo (pictured). It remains in the same place, even if Ozu has had to be rebuilt from scratch after the occasional earthquake during the past 362 years. Ozu is one of the oldest companies on the Japanese stock market. It still makes washi paper but its top product these days is cleaning materials for electronics and semiconductor plants. Its most dangerous moment came in the Showa financial crisis of 1927, when Ozu was involved in banking, railways and cotton.

'The pace of change in the next 30 years will be even greater than during the last 30'

Nishiyama Onsen Keiunkan in the south Japanese Alps, above, is the world's oldest hotel, run by 52 generations of the same family

Nakata is thinking towards the company's 400th anniversary, which will take place when young staff now entering the company will be 60. "The pace of change in the next 30 years will be even greater than during the last 30," he says. "The tempo will be almost unimaginable so we need to think how to make it to 400 years."

Ozu has changed its business many times along the way but still produces the Japanese washi paper on which it was built. "If we had stuck with washi this company would not exist any more," he says. "We were an intermediary for paper, but as the world shifted to mass production, the need for an intermediary disappeared."

Instead, the company moved into manufacturing. Nakata remains on the lookout for high-quality acquisitions and opportunities overseas in order to build a business that will last into a fifth century.

A common factor to all the companies surviving through generations is that they supply a simple necessity, eternally in demand. The 10 oldest Japanese companies comprise a builder, a brewer, a metalworker, a confectioner, two suppliers of religious goods and four hotels.

Genuemon Sudo's biggest fear for the future is that consumer tastes might shift away from his naturally produced sake. Domestic volumes have more than halved since the 1970s as Japanese consumers develop a growing taste for wine. The popularity of Japanese food abroad, however, means sake-brewers hope to export their drink to accompany it.

"The thing I regard as the biggest risk is our customers' tastes changing to something more artificial," he says.

By contrast, he does not seem too concerned about whether the 56th generation will carry on the tradition, a worry for many Japanese companies where the younger generation is not only less numerous but often wants to move to the city and pursue a different dream to their parents.

"One thing important to me, when I was a child, was seeing the figure of my father working," Sudo says. "My children say they want to continue. I hope they do." ■

'Taking into account her disability, she is doing well.' This is a phrase Sarah was confronted with repeatedly while growing up, and for her it perfectly sums up the mismatch between the ambition she had for herself and the limitations imposed on her by others. "Throughout school, I had a thirst for knowledge, but teachers had little understanding of my needs," she says. Profoundly Deaf since contracting mumps at the age of three, she has always faced communication barriers that have left her feeling isolated and excluded. Today, she believes too many young Deaf people experience the same potential-limiting start to their lives. "I want to help them flourish," she says. In 2012, Sarah launched SLFirst, a magazine that celebrates the achievements of Deaf people and promotes Deaf-friendly products and services. Now available online, it is read in 170 countries. She says she was "delighted" when Barclays introduced SignVideo, the British Sign Language interpretation service. "It's a decision that instantly tied me and my business more firmly to the bank." She explains that while technology has advanced, attitudes to deafness have not. "Barclays shouldn't underestimate the practical and philosophical impact of its decision to offer alternative lines of communication. It shows they won't stand idly by and let Deaf customers do 100% of the problem solving."

"My ambition is for all Deaf people to be able to fulfil their potential. Being Deaf does not mean being stupid."

Sarah Lawrence
Founder & Editor, SLFirst

Barclays SignVideo offers Deaf customers instant access to live British Sign Language interpretation when they communicate with Barclays, in branch or at home. For more information visit barclays.co.uk/signvideo

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VIRTUES AND FOIBLES OF FAMILY VALUES

In Germany, private owners have built world-leading companies but are also sometimes their weak point

BY PETER MARSH

As Germany has reeled from the Volkswagen emissions scandal, the contradictions between the various elements of the country's dominant corporate model have become starker. The confluence of pressures can have both good and bad results.

On one hand, Germany is respected for its many stable and long-established businesses, often privately owned and rooted in a strong tradition of engineering excellence. Such companies often share a homogenous culture, an independent management style and relative freedom from outside pressures. But the same elements can sometimes create a cocktail of influences that, at worst, triggers disaster. The VW imbroglio can be linked to just such a set of developments.

The car giant is not a particularly long-lived company — it dates from 1937 — and is publicly quoted. But it shares many characteristics of the fabled *Mittelstand*: the predominantly small to mid-sized private manufacturing groups that are a long-standing feature of Germany's economy.

In the case of VW, the company systematically fooled US regulators over the amount of pollution emitted by its diesel cars. Before admitting its ruse — achieved by secretly modifying the software controlling some engines — it was for years held up as a paragon of German industrial superiority.

The group is controlled by three big shareholders that like to keep their deliberations private. Its executives are known for their controlling nature. The culture is one in which engineering ingenuity is admired above everything.

Such features have led to many fine companies that do much to maintain the "Made in Germany" brand. The closely held ownership of these businesses — and the fierceness with which many have clung on to their strong positions in the technical fields in which they specialise — have frequently given them a long history.

Take Achenbach Buschhütten, the world's biggest maker of rolling mills for aluminium production, which traces its roots to 1452.

Prym Group, established by Wilhelm Prym in 1530, started out as a goldsmith and has moved into products including industrial fasteners and sewing needles. Still family owned, it manufactures in 12 countries, including the US, Turkey and China.

Another example is Faber-Castell, a world leader in pencils and other writing instruments. It was set up in 1761 and has plants around the world. Count Anton Wolfgang von Faber-Castell, chief executive of the family-controlled group, says of *Mittelstand* businesses: "They have a profound know-how in engineering and are highly specialised and often global market leaders in a niche industry."

Hermann Simon, chairman of consultancy Simon-Kucher & Partners, and author of *Hidden Champions*, a 1996

FREUDENBERG
Founded 1849
Diversified group
The long-lived nature of many top German companies is epitomised by Freudenberg, a world leader in sealing products and lubricants. With sales last year of €7bn and 40,000 employees, the company is controlled by about 300 members of the family of Carl Johann Freudenberg, who co-founded the business as a leather works. Mohsen Sohi, chief executive, says Freudenberg has capitalised on its heritage of technical capability. In this way it has diversified into synthetic materials for markets from wound dressings to aircraft parts.

1

2

LEONI
Founded 1569
Wire and cable
Leoni illustrates how some German companies have moved on from their roots. Its origins lie in a workshop started near Nuremberg in 1569 by Anthoni Fournier, a Frenchman, that made gold and silver threads for embroidery. In the 20th century Leoni, the company that grew from Fournier's work, became a leader in wiring harnesses – assemblies of cables used in electrically driven machines, from cars to computers. With sales last year of €4.1bn, it has 72,000 employees in 31 countries.

book about Germany's privately owned corporate high-performers, says a key factor is a global mindset. Many German businesses, he says, "went global" well before the term became fashionable.

"That Germany was not a true nation-state until 1918 but a collection of small states and fiefdoms forced each entrepreneur [behind the most ambitious businesses] to go international very early."

Once world markets opened up in the 1980s, German businesses were in a perfect position to expand. "If you are very good in your field and go global you can hardly avoid getting bigger," says Simon.

But given the many common characteristics between the *Mittelstand* and VW, it is not too hard to make a link between the wider German industrial community and the background to the car giant's disgrace.

Bernd Venohr, a Munich-based consultant who is an expert on the *Mittelstand*, says sometimes the very success of independently minded German businesses can lead to arrogance that brings a company to its knees. Being family-controlled or owned by a private group can, he says, be "a double-edged sword". It "ensures tremendous commitment in difficult times, but if the [owner] does not have the necessary skills and resources it is a sure road to disaster".

'If you are very good in your field and go global you can hardly avoid getting bigger'

1. A Faber-Castell production line in Stein, near Nuremberg
2. Volkswagen's Wolfsburg headquarters

Big private companies that have lost their way in recent years and sometimes failed spectacularly include the Quelle mail-order business, automotive group Karmann and porcelain manufacturer Rosenthal.

Many owners of private companies in Germany can appreciate the potential problems in their structure but think the alternative — going public or being bought by a bigger quoted group — is worse.

Norbert Stein, chief executive and owner of Vitronic, a specialist in machine vision systems for industry that he started in 1984, says being private "helps more than it hinders" on the grounds of maintaining stability and control.

Others agree there is more to admire than disparage about the *Mittelstand*.

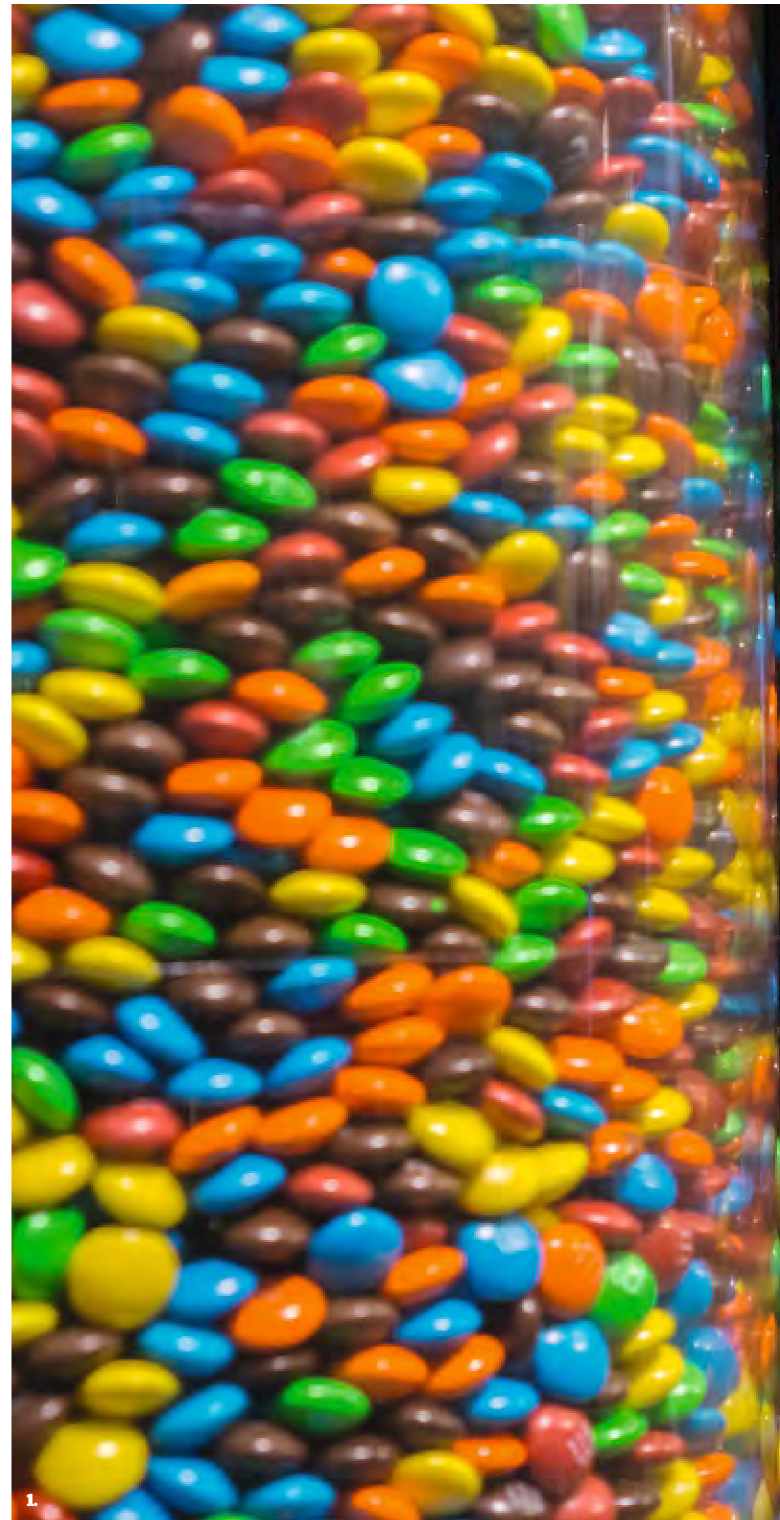
Over the past 30 years, one of the most successful of businesses of this genre has been Trumpf, the world's biggest maker of laser cutting machines, controlled since the 1970s by the Leibinger-Kammüller family. Nicola Leibinger-Kammüller, chief executive, says the country's continued faith in engineering-based industry has given its economy a valuable resilience. "At the beginning of the 1990s, when others relied on the service sector and the financial sector, and regarded industry as the 'old economy', Germany carried on as usual — and in so doing, it learnt to combine the strengths of tradition with those of the future," she says.

For all the travails of VW — and the imperfect nature of the structure defining many top German companies — few see the *Mittelstand* model lurching off the road for some time to come. ■

PHOTOS: GETTY IMAGES; BLOOMBERG

BLOATED SECTOR NEEDS A NEW BLISS

US food and beverage companies are facing tremendous upheaval as consumers shun processed products


1.

BY LINDSAY WHIPP

In his book *Salt, Sugar, Fat*, Michael Moss recounts a food industry meeting in 1999. A room full of chief executives listened to a speech on how their companies were being blamed for their contribution to rapidly rising rates of obesity in the US and what they could do to alleviate the problem.

Fast forward a decade and a half from that meeting, at which the executives apparently chose to ignore the speaker's recommendations, and the industry is experiencing tremendous disruption in the face of consumers who are increasingly shunning processed foods and carbonated drinks in favour of healthier fare.

This upheaval has forced many food and beverage companies, from Kraft and Heinz through to General Mills, Campbell Soup, Kellogg's, Coca-Cola and McDonald's, to reassess their place in corporate America. This quest sometimes comes with a shove from private equity firms or activist investors, eyeing such companies' vulnerability and ripeness for reducing excess costs.

Nearly three years ago, 3G Capital, the Brazilian cost-cutting king, took over Heinz, which was established in 1876. Earlier this year Heinz merged with Kraft to create Kraft Heinz. Activist investors have been circling the industry, pushing, and often achieving, intense efficiency targets. The message is clear: find new relevance or say goodbye to your independence.

This is where longevity comes in. US companies may not be as old as some European or Japanese companies, but this does not mean they do not deserve the badge of longevity.

Some have been around since the early 1800s. They have endured tremendous tumult: the civil war, the Great Depression, two world wars and numerous developments in technology and consumer behaviour, globalisation, oil shocks and the recent global financial crisis. The very fact that they still exist means there is a tremendous amount to learn from them.

Campbell Soup's roots go back to 1869, the same decade as the abolition of slavery in the US. Coca-Cola was invented in 1886. McDonald's, though established at the much later date of 1955, is still considered a company with history. That is particularly true when considering that the "characteristic" age of a company listed on a US stock exchange is just eight years, according to research by Credit Suisse, the bank.

But as Jim Collins, author of best-selling books such as *Good to Great* and *Built to Last*, says, you cannot really have longevity without greatness. "It is about enduring at a high level. Just hanging on isn't any good," Collins says.

He argues that it is not enough for a company to have a long life because it is winning financially. It needs to be missed if it were to disappear, and the company's raison d'être should not vanish when the founder leaves. To achieve this it has to be able to continue innovating by constantly challenging itself and setting intimidatingly lofty goals to withstand the sands of time and not drown in them.

> 'It is about enduring at a high level. Just hanging on isn't any good'

Financial success and innovation are inextricably linked. Without innovation it is difficult to keep the consumer on board and, as a result, profits will be elusive. Apple is a classic example. The late Steve Jobs took Apple from near bankruptcy to being the most valuable company in the S&P 500, thanks to inventions such as the MacBook and the iPhone that convinced shoppers across the globe they could not live without them.

It is harder to do this in the food business. Technological advances that remove food further from its natural

1. Brands such as M&M's have become household names

2. McDonald's was established in 1955

MARS

Founded 1911

Food and confectionery

Mars has managed what many family-owned companies have not: it has reached the fourth generation. Victoria Mars, the current chairman, is the great-granddaughter of Frank Mars who, with his son Forrest, invented the Milky Way – the chocolate bar, that is. Succession planning is a serious matter at Mars, starting 15 years in advance. Every member of the family, with or without direct business involvement, is engaged in the process. Victoria Mars said in a recent interview: "[It is about] getting the whole family to understand what this legacy is that we have and what is the responsibility that comes with that. [In general] it is not the business that is going to be the problem, it is the family that causes those problems."

PHOTOS: RICHARD LEVINE/DEMOTIX/CORBIS; BLOOMBERG; ISTOCK

1.

DEERE
Founded 1837
Farm machinery
Deere is a Midwestern company that transformed US agriculture through innovation in tractors and ploughs, and stands today as one of the world's largest manufacturers of farm machinery.

The company's roots go back to 1837 when blacksmith John Deere developed a polished-steel plough. He quickly expanded into retail and based his business in Moline, Illinois, which is still its base and which is now reliant on the company for much of its economy. John Deere gave Moline its first bank and was mayor for two years, but was also at pains to understand its customers. An article in a 1936 Fortune magazine says Deere's salesmen "not only speak the farmer's language but speak it with his twang".

3

2

state are unlikely to grab the interest of consumers who want to buy healthy and fresh products. The push in the US for labels that identify genetically modified organisms is a case in point. And the bigger and more diverse the company, the less of an impact inventions have on profit.

When food companies started out, they were hugely innovative, launching an era of processed meals that claimed to free up mothers' time, while snacks and fizzy drinks claimed the hearts of children and adults across the nation. Advertising helped make brands such as Coca-Cola, Pepsi, M&M's, Oreo, Campbell Soup, Oscar Mayer and Cool Whip household names.

With McDonald's, Ray Kroc managed to give Americans the ultimate fast-food experience from the mid-1950s, with an attention to detail and an insistence

Many of America's biggest and oldest food companies grew out of tremendous innovation in the field of processing

on freshness that is hard to imagine as the company struggles with its current image of serving unhealthy food.

A lack of in-house innovation coupled with a shift away from core products has left many older companies looking for acquisitions, buying what they do not have: organic and fresh products. General Mills has been buying companies such as Annie's, which makes organic food for children. Other companies end up just merging with each other.

Looming over the industry is the shadow of 3G, whose unsympathetic cost-cutting has become an industry benchmark, and whose thirst for acquisitions appears unquenchable. This has left many chief executives with an uncomfortable dilemma: face a takeover bid from 3G or face it as competition.

Either way, it is a difficult choice. And while cuts are needed at many companies, it is doubtful that they and bolt-on acquisitions alone can propel a company far into the future, particularly if the most innovative people are let go in the name of saving money.

It is people that make the business, and part of feeling valued and motivated

4

1.
Coca-Cola was invented in 1886

2.
There is a push in the US for labelling that identifies Monsanto's genetically modified organisms

3.
A John Deere combine harvester

4.
Campbell Soup's roots go back to 1869

is the understanding that one's employer wants to create something previously thought unattainable. It is about being given the freedom to try, fail and hopefully succeed.

Good communication from the top is paramount. "Communication with the employees, making sure they know why they and the company are valued and the realisation we can be great together, that is when a company sustains," says Mary Kier, who has written on corporate longevity and recruits top executives as a managing director of ZRG Partners, a headhunting firm.

Without the inspiration of innovation, a company will struggle to be significant. For better or worse, many of America's biggest and oldest food companies grew out of tremendous innovation in the field of processing, and finding the so-called "bliss point" of the ultimate combination of sugar, salt and fat to create cravings.

Innovating around moderation and health instead of excess is no easy task. But for more and more companies, including some US corporate survivors, this is the path to not only remaining relevant, but deciding what is relevant. ■

PHOTOS: TONY SAVINO/CORBIS; APIC/GETTY IMAGES; BLOOMBERG; FISKNESS/DREAMSTIME

COLUMN

RESPECT RISK AND REAP THE BENEFITS

Business has to pay close attention to political and societal risk if it is to sustain itself as well as thrive

BY ALYSON WARHURST

Europe's refugee crisis, with its geopolitical ramifications, is a poignant reminder of how political risk is changing the business environment.

Corporate longevity is a function of how companies navigate risk — political and financial. Traditionally, political risk is about threats that are considered outside the control of businesses, such as regime change, terrorism and nationalisation. But the concept is broader: today's political risk encompasses societal risk. Seen this way, it becomes predictable and thus manageable.

Companies need to consider the causal factors behind political risk. These include corruption, rocketing food prices and the failure of governments to reinvest the benefits of business revenues in social infrastructure. Companies also need to monitor volatility in the business environment — the prolonged uncertainty that precedes and follows political risk events such as the toppling of leaders, policy shifts, lack of rule of law and contract review.

As we have seen with the Arab uprisings populations are increasingly willing and able to depose governments, whether by elections or demonstrations.

Not all emerging economies present high degrees of political risk. Risks are greatest where significant foreign direct investment and pervasive youth unemployment exist alongside endemic corruption and the failure by governments to provide basic services such as health, education and sanitation. Such societal risks — precursors to political risk — are identifiable and measurable.

Families of workers lost in the Dhaka garment factory collapse in 2013 protest to demand that those responsible face justice

Emerging economies — where companies need to be to grow markets, source materials and achieve value in supply chains — are particularly vulnerable to political risk, because they have a growing middle class, digital inclusion and rising unemployment among their educated youth, who protest when growth is not trickling down. But that in itself is not sufficient to catalyse political risk.

Political risk heats up in a cauldron of popular discontent, labour protest and human rights violations by states against their own people as well as censorship and violent repression of dissent. Therefore companies need to monitor not only societal risk but also government response.

Unsafe workplaces and weak regulatory frameworks are further risk factors, as underlined by the collapse in 2013 of a garment factory in Dhaka, Bangladesh, in which more than 1,100 workers in multinational supply chains died.

Business needs to address these problems in its own operating environment. For example, if there is a flood or a spike in food prices, successful businesses have shown it is better to feed employees than lose working days. That may sound radical, but it is what mining and oil and gas companies with long histories in high-risk countries have done for years — investing in schools and roads, buying regionally and employing locally. They know that, in the long term, they are part of the societies in which they operate.

Where governments are weak, preoccupied or failing, business has a greater social responsibility. Political risk is too unpredictable to leave to chance and too costly to address after the event — as illustrated by Egypt, where many global companies were caught unawares.

The most sustainable businesses are those that recognise and take seriously societal risk and corporate social responsibility. They have built up teams of social and political scientists who can analyse and navigate the danger areas. Corporate longevity is about anticipating political risk and resilience. That comes through understanding and managing the societal risks that are its causes and consequences. ■

Alyson Warhurst is the former chief executive of risk analytics business Maplecroft (now Verisk Maplecroft) and a former professor of strategy and international development at Warwick Business School

PHOTO: REUTERS

"I'm putting more money in my pocket while saving people's lives," says Elesia, one of the new Community Health Entrepreneurs (CHEs) in the Chadiza district of Zambia's Eastern Province. It's a very neat summary of a new social enterprise being developed by the humanitarian and development organisation CARE International, in partnership with Barclays and GSK. First, she receives business and healthcare training, then she buys items ranging from medicines to household hygiene products and sells them in the local community. She uses the profit to grow her business and build a nest egg to provide for her father and adopted twins. "In the past, I had money but was losing because I didn't know how to invest," she says, "Now, I'm investing in constructive things, like my new house." And as the CHEs build their networks locally, they are distributing much-needed items and promoting health awareness in remote, hard-to-reach rural areas. "They rely on me. Some people are starving, literally, and I can help." Unlike previous donor-funded schemes, the CHE model is designed to be self-sustaining. Long term, it is hoped that the businesses it supports will stimulate significant economic growth in areas where as many as two thirds of people live in poverty. "I see the CHE network growing," says Elesia, "People love our products. People love the work we are doing to help the communities. And we don't want to stop on the way to success."

"I've improved life in the community, but I've also managed to go further personally."

Elesia Mshanga
Community Health
Entrepreneur, Chadiza

The Barclays GSK Partnership is exploring new ways to improve access to affordable healthcare and stimulate economic development in Zambia. For more information visit home.barclays/citizenship

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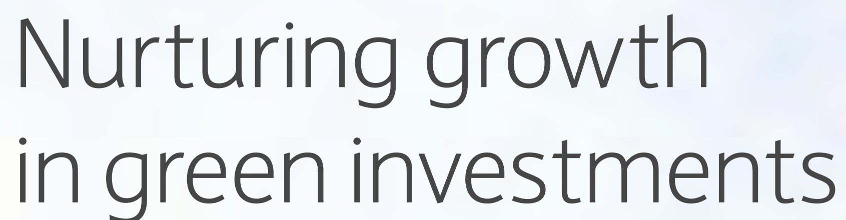

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For more information visit barclays.com/IB

[1]Source: Barclays Treasury as at 01.10.2015. [2]Source: Barclays PLC Annual Report 2014. Barclays Bank PLC. Authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority (Financial Services Register No. 122702). Registered office: 1 Churchill Place, London E14 5HP.