

‘An instant classic.’
Charles Handy, author of The Second Curve



Alex Hill

Centennials

The 12 Habits
of Great,
Enduring
Organisations

‘Every CEO should be given a copy
with their morning coffee.’

Professor Robin Dunbar, University of Oxford

PENGUIN BOOKS

Praise for *Centennials*

‘If you want to know why some businesses succeed beyond expectation and others incomprehensibly fail, the answer is here.’

Robin Dunbar, Professor of Evolutionary Psychology,
University of Oxford

‘A rigorous, readable and practical addition to the genre . . . Hill offers detailed and diverse observations [that will] appeal to managers looking for a prescription as they wonder how to outlast the competition.’

Financial Times

‘*Centennials* is a masterclass in what it takes to create and sustain high performing teams and organisations.

In uncertain times, these are time-tested habits for success that we ignore at our peril.’

Richard Mann, former Royal Marine and
UK Special Forces

‘Most people think in straight lines. A leads to B. Alex thinks sideways, and comes up with intuitions few will spot, but which are obvious and readily applicable. That is what makes this book both useful, and a joy to read.’

Tim Leunig, former economic adviser to the
UK Chancellor of the Exchequer

‘If you want to learn what it takes to achieve truly sustainable success in an organisation, then this is a book for you.’

Shaun Fitzgerald, OBE, Director of the Centre for
Climate Repair at the University of Cambridge

‘Entertainingly written and an engaging read.’

Mail on Sunday

‘If you want your organisation to be a success for the next 100 years and beyond, I suggest you read this.’

Steve Harrison, Project Manager at

the Scottish Government

‘Professor Hill brings his deep knowledge of organisational structures and a brilliantly perceptive eye to a number of the leading organisations in the UK and beyond . . . The result is a remarkable book that is full of satisfying insights, from the elegant (stable core, disruptive edge) to the unfashionable (get better, not bigger) to the surprising (make time for random).’

Jonnie Noakes, Director of Teaching and
Learning at Eton College

‘An entertaining and thought-provoking exploration of a central idea of leadership; how to effectively balance stability with innovation and change . . . I would recommend any leader add this to their library.’

Michael Bourne, Performance Director at
the Lawn Tennis Association

‘I believe Alex has captured some simple principles that can allow individuals, teams, organisations and beyond to navigate complexity in a manner which brings purpose, stability and evolution. It’s a text I will keep returning to!’

Danny Kerry, MBE, former head coach of
the Great Britain Women’s Olympic Hockey Team

‘*Centennials* brilliantly draws on over a decade’s worth of insight to capture many of the vital elements that distinguish sustainable success. Anyone looking for an engaging way to stimulate deep reflection in order to create purposeful, long-term success should read this book.’

Ian Robinson, Deputy Director of Strategy and
Operational Excellence, UK Sport

‘Brilliantly clear, concise and readable. Both a window into centennial organisations and an incredibly helpful strategic toolkit for sustaining and developing them.’

Lucy Skilbeck, Director of Actor Training at
the Royal Academy of Dramatic Art

Copyrighted Material

Centennials

*The 12 Habits of Great, Enduring
Organisations*

ALEX HILL



Copyrighted Material
PENGUIN BOOKS

PENGUIN BOOKS

UK | USA | Canada | Ireland | Australia
India | New Zealand | South Africa

Penguin Books is part of the Penguin Random House group of companies
whose addresses can be found at global.penguinrandomhouse.com



Penguin
Random House
UK

First published by Cornerstone Press in 2023
Published in Penguin Books 2024
001

Copyright © Alex Hill, 2023

The moral right of the author has been asserted

Printed and bound in Great Britain by Clays Ltd, Elcograf S.p.A.

The authorised representative in the EEA is Penguin Random House Ireland,
Morrison Chambers, 32 Nassau Street, Dublin D02 YH68

A CIP catalogue record for this book is available from the British Library

ISBN: 978-1-847-94282-1

www.greenpenguin.co.uk



Penguin Random House is committed to a sustainable future for our business, our readers and our planet. This book is made from Forest Stewardship Council® certified paper.

Copyrighted Material

For
Lois, Dylan, Aurelia and Pheonix
My family

Copyrighted Material

Copyrighted Material

Centennial /sen-ten'yəl/
adjective

Lasting a hundred years
One hundred years old

Copyrighted Material

Copyrighted Material

Contents

Prologue: The theory of everything	xiii
------------------------------------	------

Part 1: Stable core

Purpose

Habit 1. Build your north star	5
--------------------------------	---

Habit 2. Do it for the kids' kids	25
-----------------------------------	----

Stewardship

Habit 3. Have strong roots	39
----------------------------	----

Habit 4. Mind the gap	51
-----------------------	----

Openness

Habit 5. Perform in public	63
----------------------------	----

Habit 6. Give more, get more	77
------------------------------	----

Part 2: Disruptive edge

Experts

Habit 7. Be porous	97
--------------------	----

Habit 8. Shake all trees	113
--------------------------	-----

Nervousness

Habit 9. Get better, not bigger	129
---------------------------------	-----

Habit 10. X-ray everything	147
----------------------------	-----

CONTENTS

Accidents

Habit 11. Make time for random	167
Habit 12. Break bread	185
Conclusion: Protect your home	201
Epilogue: Centennial truths	205
Acknowledgements	215
Endnotes	217
Index	267

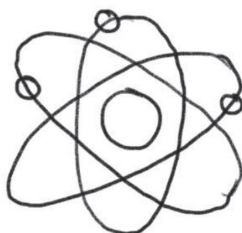
Centennials

Copyrighted Material

Copyrighted Material

Prologue

THE THEORY OF EVERYTHING



Stable core, disruptive edge

1.

When, ten years into my career, I made the move from being an engineer and manager at the TI Group to being a researcher and teacher at the University of Oxford, I was immediately struck by how fundamentally different the mindsets of the two organisations were. At TI it was all about the short term: hitting daily sales targets, achieving monthly budgets. At Oxford it was about the long term: conducting research over several years, working on ideas that might bear fruit only many years later, and preparing students for the future. While I was at TI, the short-term approach seemed to make sense. After all, I reasoned, if you don't survive the short term, you won't make it to the long term. But my Oxford experience started to make me doubt the wisdom of this view. Over time I came to realise that, if applied as a driving principle, the short term can actually destroy the long term: attention is diverted from the important to the immediately visible, sales get brought forward, investment gets cut – all in the name of hitting a particular target. The short term may be necessary, I concluded, but it's no guarantee of

ultimate survival and may indeed conspire against it. TI's fate rather proved the truth of my insight: it failed and was bought by the Smiths Group.

A decade later, in 2012, I found myself working with UK Sport, the funding body for the British Olympic teams, who had recently enjoyed their best performance ever at a summer Games (they finished third with sixty-five medals) and were seeking to build on this success. On learning that they had looked at various arts organisations for inspiration, I contacted the Royal Academy of Music, the Royal College of Art and the Royal Shakespeare Company and discovered that they too had the long-term view of success that I had encountered at Oxford. Like Oxford, they had been around for a long time. Intrigued, I started – in tandem with four other researchers – to look at other organisations with long pedigrees, from educational establishments such as the University of Cambridge (founded in 1209) and Eton College (1440) to sports organisations that ranged from New Zealand's All Blacks (1884) to the Lawn Tennis Association (1888), and from such manufacturers as Morgan cars (1909) and Rolls-Royce engines (1904) to Moorfields Eye Hospital (1805), the Royal Marines (1664) and the BBC (1922).

I soon discovered that all these organisations – which I came to refer to as 'the Centennials' – shared the same mindset: they set themselves ambitious long-term goals and refuse to be deflected by short-term gains in their pursuit of them. Their philosophy was that, while it was necessary to keep a constant eye on the ground immediately in front of them, their focus should always be on the horizon.

2.

There was an analogy here, I thought, with the discovery of the atom. First posited by the Greek philosopher Democritus back in the fifth century BCE, it became a key focus of the work of a series of outstanding scientists who shared the single goal of unravelling its secrets.¹ The English chemist John Dalton laid the foundations of modern atomic theory in 1808, with his method for calculating the weight of different atoms and his embryonic periodic table.² A fellow chemist, Michael Faraday, then accidentally discovered that atoms were not the smallest particles,

though it took the work of the English physicist John Thomson sixty years later to narrow in on what would later be called electrons.³ At the end of the century Marie and Pierre Curie, along with Henri Becquerel, refined the picture further with their discovery of radioactivity.⁴ Their former student Ernest Rutherford, who had also worked with John Thomson and was now working with the German physicist Hans Geiger, then made the breakthrough discovery after years of toil that there was a strong positive charge in the centre of the atom (later to be called the nucleus) and created the model of the atom that we recognise today.⁵ All these scientists, in other words, were united by a common aim, they each devoted years of their lives to fostering it, and their communal work on it ultimately stretched across the centuries.

The analogy with the Centennials goes a little further. Rutherford discovered that atoms exist in different states. If they're too large or too small, they will be volatile and will either latch on to other atoms or become radioactive and start to decay. The 'classic atom' of Rutherford's model has, by contrast, a stable nucleus at its centre, and electrons that move around it, just as the planets orbit the Sun. Part of it, in other words, is unchanging; part of it is constantly on the move.

So, I have discovered, it is with the Centennials. The people who work with and for them are constantly on the move, coming up with fresh discoveries, swapping ideas. They are the electrons of the organisation. But at the heart of each Centennial is a stable nucleus of values developed over time and passed by one long-serving generation to the next; of goals that are constant and unwavering; and of a culture that values the past just as it looks to the future. If change becomes necessary, this nucleus embraces it, but it does so carefully and slowly.

In short, the Centennials have both a stable core and a disruptive edge, and they preserve a careful balance between the two. In the neat formulation of Paul Thompson, the vice-chancellor of the Royal College of Art, they're 'radically traditional'.⁶ Out of this balance emerges the energy that propels them forward and a stability that ensures that no one loses sight of what each Centennial is there to achieve or forgets what has led to success in the past.

It's a balance that is sadly lacking among many non-Centennial enterprises today. An obsession with the here and now, with short-term

results, and with immediate shareholder value has come to dominate strategic thinking to the exclusion of almost everything else. This obsession has exacted a price. Essentially, as companies have become more short-term, so their life expectancy has fallen. When the Standard & Poor's index was set up in 1957 to track the financial performance of the 500 most valuable companies in the US (the S&P 500), the lives of most organisations were measured in decades. Since the 1980s, when shareholder value became the dominant mantra, their expectation of survival has fallen fivefold to the point where the average life of an S&P company is now only fifteen years.

Some argue that shorter business life cycles are all to the good. When a company that has fallen from favour dies, the argument goes, its resources are freed up for more effective exploitation by another concern. The problem with this point of view is that it neglects the friction and wastage that corporate death involves.⁷ It also fails to recognise that the long-term success of any economy or society relies on the stability of its core organisations and institutions, and that if everyone is solely focused on the here and now then the long-term questions and challenges that societies face – such as climate change, poverty, immigration, health and education – are less likely to be addressed.⁸ If everything is constantly booming and busting then nothing will last and, eventually, everything will collapse.

3.

Over the years, various studies have sought to pinpoint what creates long-term success. Some, such as *In Search of Excellence* (1982), *Built to Last* (1994) and *Good to Great* (2001), have done so by analysing what successful companies do and extracting from the analysis general truths that can be widely applied.⁹ *In Search of Excellence* argued that we should 'stick to our knitting'. *Built to Last* warned of the dangers of focusing too much on profit. *Good to Great* promoted the notion of the Level 5 leader. Other studies – such as *The Four Principles of Enduring Success* (2007) and *Three Rules for Making a Company Truly Great* (2013) – have crunched vast quantities of data about a wide range of organisations to extract general truths.¹⁰

Both methodologies have had their share of critics. Those who have reservations about the *In Search of Excellence* school argue that the subsequent decline of many of the companies held up as exemplars (Hewlett-Packard, Kodak, Motorola and so on) shows how difficult it is to embody these qualities and retain performance in these areas.¹¹ Those who criticise the *Four Principles* and *Three Rules* schools argue that the business truths they promote (for example, the *Four Principles* 'exploit before you explore' and the *Three Rules* 'get better before you get cheaper') are too generic and vague to have real practical application. As one CEO said to me: 'We all want to get better, before we get cheaper, but how do you do that? And we all want to exploit before we explore, but what does that really mean? How should we do it? And when should we switch?'

It's perhaps because case studies based on companies have proved problematic that some people who have studied the conundrum of business longevity have turned away from businesses altogether and looked to see what we can learn from success in other fields. *Moneyball* (2003), *Outliers* (2008) and *Rebel Ideas* (2019) are just three examples of books that look at such spheres of activity as the arts, education, science and sports for inspiration.¹² But this approach, too, has its problems. It tends to be more anecdotal than analytical. It doesn't offer comparative analysis. It's therefore sometimes difficult to know whether the success described was a one-off phenomenon, or a process that can be replicated elsewhere.

In this book, I've sought to take account of the undoubted strengths of each approach, while offering what I hope is a fresh perspective through my focus on seven of the Centennials I have studied over the years; organisations that have each been in existence (if not now precisely in their original form) for more than 100 years and that have regularly outperformed their peers over that time.¹³

Eton College (founded in 1440), which has educated many of Britain's leading figures, including, over the past 300 years, twenty prime ministers.

The Royal Academy of Music (1822), which has produced some of Britain's finest musicians.

Copyrighted Material

The Royal College of Art (1837), responsible for producing world-class artists and designers.

The Royal Shakespeare Company (1879), arguably the world's pre-eminent theatre organisation.

British Cycling (1896), which has won fifty medals at the last four Olympic Games.

The All Blacks (1884), arguably the most successful sports team of all time.

Nasa (1915), which has dominated space exploration since the 1960s.

I and my fellow researchers studied each Centennial in minute detail. Where possible, we spent a year with each one to experience from the inside how it functioned. We then formulated a set of general principles that all seven collectively appeared to embody. After that, we spent five years sharing these principles with dozens of organisations and thousands of people across the world, inviting them to test them, critique them and retest them. And we looked for additional insights to a vast range of organisations, both successful and unsuccessful, whose stories helped clarify our thinking.

Some readers might object that the Centennials don't face the immediate challenges that their own organisations do. The Centennials don't have shareholders to keep happy. They are not required to hit profit targets as small businesses and FTSE 100 giants alike have to do. To that extent, such readers might think, the strategies and skills they have developed may be interesting to read about, but are not applicable in a conventional business setting. These objections, however, ignore the underlying goals that all organisations have to achieve if they are to survive. The Royal Academy of Music would not have flourished for 200 years if it was not economically viable or if it failed to win new 'customers' in the form of students. The Royal Shakespeare Company similarly would have collapsed if its finances were unsound or it failed to connect with consumers. Nasa may be funded via the US federal budget, but such funding would not be forthcoming if it didn't meet targets and deliver technological breakthroughs.

The Centennials, in other words, have much to teach all of us.

Part 1: Stable core

Copyrighted Material

Copyrighted Material

Purpose

Copyrighted Material

Copyrighted Material

Habit 1

BUILD YOUR NORTH STAR



In it for a long time, not a good time

1.

Saturday, 25 July 1981. Waikato, New Zealand. The South African rugby team were preparing for their second match on their tour of New Zealand. The stakes were high. 'It was a big game,' Pat Bennett, the Waikato captain, recalls. 'And the first time a New Zealand rugby match had been broadcast live, around the world. So we knew we had to win.'¹

Meanwhile, a 300-strong group of protesters, deeply unhappy that a New Zealand team was preparing to take on a team from apartheid South Africa, had gathered outside the stadium in Hamilton. As the match started, they proceeded to kick down a fence and invade the pitch. The crowd hurled bottles at them. The police tried to remove them. But, with arms linked, they stood their ground. 'The whole world's watching! The whole world's watching!' they chanted. Concerned that more protesters were on their way, the police ultimately decided to cancel the match.²

Over the next few weeks, further protests against the South African tour took place. Each scheduled match was disrupted. Demonstrators

gathered in front of government buildings and blocked roads. ‘It was the biggest uprising in New Zealand’s history,’ John Minto, one of the protesters, remembers. ‘A watershed moment when the country stood up for what it believed, and took their place on the world stage. I can remember my dad arguing with my mum at the time, saying, “I don’t understand what all the fuss is about, it’s only a game.” And my mum saying, “No, it’s not. It’s our national sport. It represents us – our values, and our beliefs. And I don’t believe apartheid’s right!”’³

As arguments flew back and forth and the debate raged, the New Zealand national side – the All Blacks – listened attentively. At the end of the tour, even though only 5 per cent of the population had protested, and even though rugby fans had not been among the demonstrators, the team took the decision not to play South Africa again until the apartheid regime had been dismantled. The ban lasted eleven years. In 1995, the newly elected president of South Africa, Nelson Mandela, visited New Zealand and offered his thanks for the stance people had taken. ‘You elected to brave the batons,’ he told them, ‘and pronounce that New Zealand could not be free when other human beings were being subjected to a legalised and cruel system of racial domination.’⁴ When they stopped that match at Hamilton, he said, ‘we cheered and rattled the prison doors in celebration. It was like the dawn of a new era as the sun came out.’

The people of New Zealand have enjoyed an extraordinary relationship with rugby – and have used it to represent their society, its values and beliefs on the world stage – ever since the national team’s second international tour, in 1905. Then, as New Zealand prepared for ‘Dominion status’ within the British empire, the country’s prime minister asked the All Blacks to make it one of their goals to promote New Zealand values and trading links abroad.⁵ Arguably, the link between country and game goes back well before that. Before the first European settlers arrived in 1642, the indigenous Māori people were playing a rugby-like game called *ki-o-rahi*. When the first New Zealand team toured Britain in 1888, twenty-one of their twenty-six players were Māori.⁶ Women became part of the national rugby story in 1915 (though the first official women’s league was not established until 1980). It truly is a national sport.

Many have detected a direct link between the ‘national character’ and success at the national game. ‘Imagine in the 1800s,’ Richie McCaw, the former All Blacks captain, says, ‘getting on a boat not knowing where you are going . . . and [having to make] your own way. That’s going to make you pretty tough, and I guess, if you have that sort of outlook it’s going to get passed down through the generations.’⁷ The journalist Peter Bills talks of ‘an unwillingness to accept defeat’, an ability to ‘dig deep and stay calm in adversity’, a talent for ‘making coherent decisions while all around you is chaos’ that he believes characterises the average New Zealander and argues how these qualities lead the individual to sacrifice ‘personal concerns or causes to the mantra of helping your mates’.⁸ Then there’s the traditional Māori *haka* that is performed before each match that further fosters a sense of teamship and a desire to achieve.⁹ It’s no wonder that not only have the national side been astonishingly successful over the past century and more, winning 77 per cent of their 620 games and scoring twice as many points as their opponents, but that more and more New Zealanders have taken up the sport.¹⁰ It’s an expression of who they are, and what they want to become.

Which is why the decision taken by the national side in 1981 after the apartheid demonstrations seems in hindsight the obvious one for them to have taken. As upholders and ambassadors of New Zealand’s values, the All Blacks felt they had to take a stand. They didn’t see themselves simply as a sports team or even as the national sports team. They viewed themselves as part of the society from which they were drawn, and they accepted the obligations that go with that world view.

2.

For most businesses, turnover and profit are everything. Centennials don’t think this way. They look at the whole of society, and every possibility, and ask themselves: How can we shape how society thinks, and behaves, not only today, but for the next twenty to thirty years? How can we ensure that the next generation of money and talent, and the one after that, will want to work with us? As Catherine Mallyon, the executive director of the Royal Shakespeare Company, put it to me: ‘If you don’t positively shape society then, at some point, it will stop supporting

you. And, at some point, it will stop wanting to work with you. And then suddenly, before you know it, all your money and talent will start to go elsewhere.’¹¹

This mindset explains why, for organisations that have stood the test of time, there is always a higher purpose that guides everything else. The All Blacks, for example, want to win matches, but their higher purpose is to raise New Zealand’s national profile. British Cycling wants to create world-beating competitors but its higher purpose is to improve the UK’s health. Nasa launches space missions, but its ambition is to increase our understanding of the universe and our place within it. The Royal College of Art’s ultimate goal is to transform the world through art and design.¹² A long-term philosophy underpins them all.

This may all sound very idealistic, but there’s a strongly practical rationale for it. All these organisations know that if they don’t have a super goal that involves positively shaping the society of the future, at some point all the money and talent will go elsewhere. It’s a mindset resisted by most conventional businesses, and by all that focus purely on the short term because, on the surface, it appears to ignore everyday realities. As one CEO put it to me: ‘It’s easy to shape society if you’re a public company, serving public needs. But we’re a business, not a charity, and our world is much more competitive than theirs. We’ve got competitors who are after our people and our customers, and investors who want us to make a profit today not tomorrow, so we don’t have the luxury of time, and we can’t look twenty years ahead, as we have problems we have to fix today.’ The problem with that world view, though, is that it carries no guarantee for survival beyond today.

The short-termism of contemporary businesses has often been commented on, as is the fact that most enterprises are very short-lived.¹³ While, for example, the 500 largest companies in the US – the S&P 500 – may collectively have increased their market value fivefold over the past forty years, their average lifespan is – at fifteen years – five times shorter than that of their predecessors.¹⁴ The popular assumption is that this reflects the volatile nature and fierce competitiveness of the current commercial environment. However, it’s interesting to note that not all organisations follow this short-lived pattern, and that there are still a number on the index, such as Colgate, Con Edison, Corning, Hartford,

Levi Strauss, Kellogg's, Nordstrom and State Street, whose roots go back a century or more. These vigorous survivors cover very different markets: from dental care to energy, insurance to clothing, fibre optics to food, retail to financial services. What they have in common, though, is a guiding purpose – a north star – that has helped carry them through the last 100 years and more.

Colgate wants to help 'create a healthier future for people and their pets'; Con Edison aspires to help 'develop a cleaner and more resilient society'; Levi Strauss sets out to make 'better clothes that can be worn for longer'; Kellogg's seeks to help 'feed and nurture the world'.¹⁵ All have set up additional enterprises that serve to further their ambition. Colgate, for example, has funded Colgate University in New York since 1890, the Colgate Women's Games since 1975, and the Starlight Children's Foundation since 1990. The Levi Strauss Foundation, founded in 1952, invests more than \$10 million each year in environmental and social projects that help it achieve its long-term purpose of 'better clothes that can be worn for longer' – such as its 'water reduction' and 'better cotton' initiatives, and its ongoing education and health programmes in its own and its suppliers' factories.

'It's an important pillar for us as a company,' Chip Bergh, the Levi Strauss CEO, explains. 'It's an important pillar from an innovation standpoint, but it also goes all the way back to our values as a company. This company's been around for 162 years, going back to our founder, Levi Strauss; the man, the myth, the legend himself. We invented blue jeans about 142 years ago. He was an entrepreneur – I like to think about us as the original Silicon Valley start-up. He, from the very beginning, was very big into giving back and making sure that the company always operated with principle and doing the right thing. As a result of that, sustainability in the broadest definition of the word – not just environmental sustainability, but social sustainability and everything else – is part of the fabric of this company . . . The company, every year, funds [the Levi Strauss] foundation with a percentage of the profits that we make . . . The more successful we are as a company, the more earnings or profits we deliver, the more we're able to give to the Levi Strauss Foundation, and then give back to the communities. It is a big part of who we are as a company . . . It's something that we're really proud of. It is part

of our ethos. It is helpful in attracting and retaining talent, there's no question about it. Especially today where young people are looking for companies that align with their personal values. That's just the kind of company we are. We didn't change it to attract Millennials; that's who we've been since the inception of this company.'¹⁶

Equally, the W. K. Kellogg Foundation, founded in 1930, invests more than \$100 million each year in education and health programmes, such as its dentist, doctor and nurse fellowships, agriculture research, and its ongoing support of various schools and universities around the world as it seeks to develop future scientists and leaders who will help 'feed and nurture the world' (the foundation is, for example, one of the largest donors to California State, Michigan State and Northwestern universities in the US, and Kellogg College at Oxford University in the UK). 'Our central theme is action,' Russell Mawby, the foundation's CEO for more than twenty-five years, explains, 'taking the best of what's known from various disciplines . . . to tackle significant societal concerns.'¹⁷ And because the foundation is also the largest shareholder of the Kellogg Company, and owns 35 per cent of its shares, it can also help govern and guide its actions. Equally, Con Edison's and State Street's foundations offer grants of more than \$10 million each year to other organisations who can help them achieve their cause – to 'develop a cleaner and more resilient society' and 'create better outcomes for the world's investors and the people they serve' – and they also encourage staff to work on volunteer programmes and serve on the boards of charitable organisations.¹⁸

In the short term all these businesses might have been better off using the funds they diverted to social projects to hit profit targets. In the longer term, the sacrifice of their super goal this would have entailed would have involved an internal cultural shift that would have undermined and, possibly, destroyed them. There's a degree of trade-off here. Most of the companies on the index that are more than 100 years old achieve annual sales of less than \$10 billion and make a profit of between 5 and 15 per cent each year. They are, on average, 10 per cent smaller and 20 per cent less profitable than the 200 companies on the index that are less than fifty years old. To that extent, they don't tend to enjoy the booms the younger companies experience.¹⁹ But then they

don't suffer the busts either and the appalling waste those busts entail. Dominic Barton, a researcher at McKinsey Global Institute who has analysed the long-term financial performance of 615 publicly traded US companies from 2001 to 2016, acknowledges that it's difficult to measure precisely what the cost of short-termism is. But when it comes to assessing the benefits of a longer-term perspective, he concludes: 'If all public US companies had created jobs at the scale of the long-term-focused organisations in our sample, the country would have generated at least 5 million more jobs from 2001 and 2015 – and an additional \$1 trillion in GDP growth (equivalent to an average of 0.8 percentage points of GDP growth per year).'²⁰

3.

Sony's mixed fortunes over the years offers a casebook example of the benefits that accrue from having a higher purpose and the dangers of losing sight of it. Back in 1946 its founders, the Japanese engineers Masaru Ibuka and Akio Morita, had a bold ambition.²¹ Japan had just emerged from defeat in the Second World War and, as Morita recalled later: 'Suddenly our world was very different.' 'The Emperor,' he went on, 'who until now had never spoken directly to his people, told us the immediate future would be grim. He said that we could "pave the way for a grand peace for all generations to come", but we had to do it "by enduring the unendurable and suffering what is insufferable". He urged Japan to look ahead. "Unite your total strength to be devoted to the construction of the future," he said. And he challenged the nation to "keep pace with the progress of the world". I knew my duty was to go back to my station and do what would be required of me.'²² When Morita and Ibuka opened their first factory – in a burnt-out Tokyo suburb – they announced to their workers: 'Today, our company has made its first start, and, with superior technology, and a spirit of unity, we will grow. And, as we do, we will contribute to Japanese society, and help restore its rightful place in the world.'

Their choice of company name – Sony – was a carefully calculated one. By giving a Japanese twist to the English word 'sound', they sought to demonstrate their ambition to sell Japanese products all round the