legacy
A provocation and overview
The aim of this summary is to capture the key points and themes arising from the Sustainable Success Conversation held at the RSA in June 2013. It is certainly not a Telos ‘how-to’ guide, but a basis for further discussion about the value that legacy thinking can deliver both now and in the future. It combines the ‘provocation’, designed to help generate debate, with the themes arising from the Conversation.
Meantime we shall express our darker purpose. Give me the map there. Know that we have divided In three our kingdom: and 'tis our fast intent To shake all cares and business from our age; Conferring them on younger strengths, while we Unburdened crawl toward death.

King Lear Act 1 Scene 1
legacy – a matter of choice
All organisations want to create value and create it now. So why should they be interested in legacy? How does considering legacy support the creation of value in the here and now?

Two models

Not all organisations need be concerned with legacy. We see two models of operating:

1. Businesses that are built purely to generate wealth in a comparatively short period of time, possibly to support a lifestyle.
2. Businesses that are deliberately built to last, providing goods and services of on-going importance, and creating wealth over time to sustain the organisation and to reward its owners / shareholders over terms that will outlive any single generation.

There’s no right or wrong about these two models, and there are times when necessity requires a temporary short-term fix. But there is scope for confusion when an organisation talks long-term, but acts for the short-term.

So, there’s a choice to be made: the immediate generation of cash or the pursuit of purpose, something beyond the financials, meeting the needs of shareholders (including cash generation) but also delivering value for other stakeholders and leaving the organisation and the world around it a better place.
...and changes over time

<table>
<thead>
<tr>
<th></th>
<th>Founding</th>
<th>Growing</th>
<th>Maturing</th>
<th>Lasting?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strategic intent</td>
<td>I want/need to start my own business.</td>
<td>This has potential. I need the bank/investors to finance my planned expansion.</td>
<td>This might be too big for me. To realise our potential we need to ‘systemise’ the business.</td>
<td>We have taken this as far as we want/can. We need to realise the value that is locked up in the business.</td>
</tr>
<tr>
<td>Challenges</td>
<td>Will it work and will it finance my lifestyle: present and desired?</td>
<td>How far can I take this? Will it make me rich? Will I be able to manage my investors?</td>
<td>We know the business works and that it is a wealth creator. How can we make it stronger and ensure its financial performance? Where do we take it next?</td>
<td>How can we optimise the value for shareholders/founders? Is there a business that thinks like us and would share our ambition?</td>
</tr>
<tr>
<td>Underlying emotion</td>
<td>I need this business to survive.</td>
<td>I know this business can survive and I am enjoying the business as well as the financial returns.</td>
<td>Maybe this is more than just a business. We are doing something that really matters and is important to our people.</td>
<td>We owe it to our customers, people and shareholders to pass on to the next generation.</td>
</tr>
</tbody>
</table>
the commercial value of legacy
three commercial reasons

Risk avoidance/management
• A longer term mindset when assessing risk and a history of successful risk management

Elimination of waste
• Avoidance of stop go investment

Enhanced performance potential
• Establishing long-term meaning beyond the current generation
Heightened awareness of transactional shifts in markets and technologies

- Scanning the horizon for changes

A culture of continuing self-determination

- Will our ownership remain appropriate to our continued success?
- Are we planning for a future beyond our tenure?
- Does our succession planning provide a robust response for key positions?
“Even though our business was going down, we decided we were going to hire … these bright young engineers. We hired Ralph Lee and Bruce Wholey and Art Fong and Horace Overacker and several other people right at the time when our company was going down because we were convinced that this was a time to get some good technical people.”

As reported in Built to Last, Jim Collins

Stability in ‘revenue’ investments
• Understanding the cumulative benefit of research spend, training, marketing etc.

Commitment to ‘staying in business’ capital
• No compromise on spend that will impact on future prospects
Three sources of motivation

Autonomy
The desire to direct our own lives. It assumes that people are active, looking for interesting work and curious and self-engaging.

Mastery
The desire to get better at something that matters, by practising, learning, improving.

Purpose
The yearning to do what we do in the service of something larger than ourselves. Purpose provides a context for autonomy and mastery.

Source: Based on Drive by Dan Pink
short-termism: viewpoints
Recommendations

- Industrial strategy as a cornerstone of government policy
- Improve the functioning of equity markets
- Tax incentives to attract long-term investors and to encourage equity over debt financing
- Abandon quarterly reporting
- Long-term incentives included in executive pay and remuneration
- Encourage wider employee share ownership
- Support for smaller companies e.g. increase liquidity of AIM market
- Take infrastructure investment out of party politics
- Increase level of state spending on research
- Make greater use of public procurement

“Given the importance that the market is placing on short-term results, it is no surprise that business behaviour adapts accordingly.”

Source: Overcoming Short-termism within British Business, review by Sir George Cox, February 2013
"But one thing we do know is that short-term tendencies in the capital markets are not insurmountable: Managers can take actions and structure their communications to offset them. They should be aware that to a large degree, they are setting the tone. The language a company uses when talking to investors is a meaningful indicator of its orientation – and the investors listening in on calls that emphasize a short-term approach are a largely self-selecting group who like what they hear."

“Unilever has been around for 100-plus years. We want to be around for several hundred more. If you buy into this long-term value-creation model, which is equitable, which is shared, which is sustainable, then come and invest with us,” he said. “If you don’t buy into this, I respect you as a human being, but don’t put your money in our company.”

Paul Polman, CEO Unilever
“Unilever’s Polman hits out at City’s short-term culture” The Telegraph, July 2011
sustaining success beyond the current generation of leaders

some data
## sustainable success: key features

<table>
<thead>
<tr>
<th>Feature</th>
<th>Level of agreement</th>
<th>Data from a survey of 40 people who attended the Conversation in 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Our organisation has been designed deliberately to last beyond the current generation</td>
<td>Low: 32%</td>
<td>63%</td>
</tr>
<tr>
<td></td>
<td>Medium: 5%</td>
<td></td>
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<tr>
<td></td>
<td>High: 20%</td>
<td></td>
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<tr>
<td>Our organisation has a clear purpose beyond just making money or providing return to stakeholders</td>
<td>Low: 15%</td>
<td>65%</td>
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<tr>
<td></td>
<td>Medium: 20%</td>
<td></td>
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<tr>
<td></td>
<td>High: 68%</td>
<td></td>
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<tr>
<td>Our leadership is unified around a core set of values and behaviours</td>
<td>Low: 17%</td>
<td>68%</td>
</tr>
<tr>
<td></td>
<td>Medium: 15%</td>
<td></td>
</tr>
<tr>
<td></td>
<td>High: 68%</td>
<td></td>
</tr>
<tr>
<td>Our leadership meetings strike the right balance between addressing what is important for the long-term and what is important for current results</td>
<td>Low: 22%</td>
<td>45%</td>
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<tr>
<td></td>
<td>Medium: 33%</td>
<td></td>
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<td></td>
<td>High: 43%</td>
<td></td>
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<tr>
<td>We are not under undue pressure to deliver short-term financial results</td>
<td>Low: 47%</td>
<td>33%</td>
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<tr>
<td></td>
<td>Medium: 20%</td>
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<tr>
<td></td>
<td>High: 33%</td>
<td></td>
</tr>
<tr>
<td>We don’t make the same major mistakes more than once</td>
<td>Low: 27%</td>
<td>43%</td>
</tr>
<tr>
<td></td>
<td>Medium: 30%</td>
<td></td>
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<tr>
<td></td>
<td>High: 43%</td>
<td></td>
</tr>
<tr>
<td>Our people are motivated to realise their own and the organisation’s potential</td>
<td>Low: 8%</td>
<td>59%</td>
</tr>
<tr>
<td></td>
<td>Medium: 33%</td>
<td></td>
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<tr>
<td></td>
<td>High: 59%</td>
<td></td>
</tr>
<tr>
<td>We consider the impact on all stakeholders when making key decisions</td>
<td>Low: 17%</td>
<td>58%</td>
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<tr>
<td></td>
<td>Medium: 25%</td>
<td></td>
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<tr>
<td></td>
<td>High: 58%</td>
<td></td>
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<tr>
<td>Our reward and incentives take the long-term health of the organisation into account</td>
<td>Low: 25%</td>
<td>60%</td>
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<tr>
<td></td>
<td>Medium: 15%</td>
<td></td>
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<tr>
<td></td>
<td>High: 60%</td>
<td></td>
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<tr>
<td>Succession planning is treated as a key strategic issue in our organisation</td>
<td>Low: 20%</td>
<td>48%</td>
</tr>
<tr>
<td></td>
<td>Medium: 32%</td>
<td></td>
</tr>
<tr>
<td></td>
<td>High: 48%</td>
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</table>
sustainable success: risk factors

<table>
<thead>
<tr>
<th>Risk Factor</th>
<th>Low</th>
<th>Medium</th>
<th>High</th>
</tr>
</thead>
<tbody>
<tr>
<td>Undue reliance on CEO and/or key executives</td>
<td>15%</td>
<td>22%</td>
<td>63%</td>
</tr>
<tr>
<td>Lack of visibility of future threats</td>
<td>28%</td>
<td>22%</td>
<td>50%</td>
</tr>
<tr>
<td>Excessive focus on day-to-day operations</td>
<td>15%</td>
<td>25%</td>
<td>60%</td>
</tr>
<tr>
<td>Major changes in the market</td>
<td>5%</td>
<td>37%</td>
<td>58%</td>
</tr>
<tr>
<td>Low financial resilience</td>
<td>55%</td>
<td>12%</td>
<td>33%</td>
</tr>
<tr>
<td>Threat of takeover</td>
<td>69%</td>
<td>18%</td>
<td>13%</td>
</tr>
</tbody>
</table>

Data from a survey of 40 people who attended the Conversation in 2013
reliance on a CEO?

Steve Jobs leaves behind product legacy that will last for years
Daily Telegraph, 7 October 2011

Apple has lost its crown as the world's most valuable publicly traded company after its shares continued to fall.
BBC News Business, 25 January 2013
legacy

in practice
Gaudi’s Sagrada Familia – success factors

Vision
• 3-D models to guide work beyond Gaudi’s death

Resilience and self-determination
• Initial private funding to start construction, avoiding municipal interference
• Self-financing through public subscription (donations and ticket sales)

Organisation design and succession planning
• Permanent management structure: Ecclesiastical Foundation
the impact of ‘family values’?

- Family Index: listed companies with a family stake of at least 10% of capital and common management of family interests
## some long-lasting businesses

<table>
<thead>
<tr>
<th>Company</th>
<th>Founded</th>
<th>Country</th>
<th>Product</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kongo Gumi</td>
<td>578</td>
<td>Japan</td>
<td>Temples</td>
</tr>
<tr>
<td>Hoshi Ryokan</td>
<td>718</td>
<td>Japan</td>
<td>Traditional hotel</td>
</tr>
<tr>
<td>Château de Goulaine</td>
<td>1000</td>
<td>France</td>
<td>Vineyard</td>
</tr>
<tr>
<td>Stora</td>
<td>1288</td>
<td>Sweden</td>
<td>Copper mine, paper</td>
</tr>
<tr>
<td>Antinori</td>
<td>1385</td>
<td>Italy</td>
<td>Wine</td>
</tr>
<tr>
<td>Fabbrica d’Armi Beretta</td>
<td>1526</td>
<td>Italy</td>
<td>Guns</td>
</tr>
<tr>
<td>Zildjian Cymbal</td>
<td>1623</td>
<td>Turkey/US</td>
<td>Percussion</td>
</tr>
<tr>
<td>Kikkoman</td>
<td>1630</td>
<td>Japan</td>
<td>Soy sauce</td>
</tr>
<tr>
<td>Hudson’s Bay Company</td>
<td>1670</td>
<td>Canada</td>
<td>Trading, esp furs</td>
</tr>
<tr>
<td>Lloyd’s of London</td>
<td>1689</td>
<td>UK</td>
<td>Insurance</td>
</tr>
</tbody>
</table>

Family companies
the world’s oldest company

Name: Kongo Gumi
Country: Japan
Established: 578
Industry: Temple building

Success factors:
• Stability of industry: minimal ‘future shocks’
• Ownership structure: family-owned
• Succession planning: leadership passed to the most suitable family member, not just ‘next-in-line’
• Flexibility: built coffins during World War II
the Olympics
‘Sport must be the heritage of all man and all social classes’
Baron de Coubertin, founder of the modern Olympics
“Our vision for the Olympic and Paralympic Games in London in 2012 is clear. It is to create the best Games the world has ever seen by unlocking the UK’s unrivalled passion for sport, by delivering the best Games for athletes to compete in, by showcasing London’s unmatched cultural wealth and diversity and by creating a real and lasting legacy.”

Sebastian Coe, November 2004
London 2012 legacy

Olympics: Housing will be main Games legacy
16 April 2012, Financial Times

Volunteering: Good causes hope for transfusion from ‘lifeblood’ of games
19 August 2012, Financial Times

School sport gets £100m as part of Olympics legacy
12 March 2013, The Telegraph
what leaders say...
“We mustn’t understand ‘legacy and heritage’ as ‘clinging to the past’.”

“When I was younger and handed things over, I was almost pleased if it didn’t do as well – it meant that the success must have been down to me! I’m a bit more mature now.”

“A good leader will genuinely do things that bear fruit after they have gone.”

“Succession is a priority of the business, nothing is forever.”

Quotations taken from ‘Reflections and Challenges’, 2010
Steve Wilson, Telos Partners
themes and questions arising from the Conversation
What is ‘legacy’? What is it that we might try to create?
The dictionary says ‘something left or handed down by a predecessor’ – fine as far as it goes but not capturing the forward-looking value of legacy in this context. Perhaps ‘leaving the organisation improved for the next generation’ is not a bad place to start.

So how does legacy manifest itself?
In a multitude of ways it seems, ranging from the tangible ‘hard’ (e.g. infrastructure) to the more emotion-based ‘soft’ (e.g. culture, reputation etc).

The Olympics provides a good example of this range with the Olympic Park at one end of the range and increased national self-confidence and reputation (among other things) at the other.

And the Olympics also provides a good example of the difficulty in measuring the value of legacy. How can we measure the benefits of infrastructure, let alone an improved culture and national reputation? The evidence of a successful legacy is only really likely to be clear many years hence, with the benefit of hindsight.

Sir John Armitt, Chairman of the Olympic Delivery Authority
Leadership: singular or collective?

To say that leadership is key to legacy would hardly be breaking news. But it might not be that straightforward. We heard the description of the ‘genius with a thousand helpers’ (e.g. Bill Gates, Steve Jobs), but can this genius develop the capacity and capability in their helpers to sustain success after they have moved on?

Perhaps we all have a role and responsibility in creating and sustaining a positive legacy, building on some initial leadership impetus so that legacy is collectively created and owned. Perhaps leadership in this context actually means ‘everyone leads’.

This will require great self-awareness in the leadership, and awareness of their impact on others, as well as the development of a culture that supports the strong and honest relationships that allow for the development of trust and collaboration.
Purpose…
Most agreed that clarity of purpose is vital. It provides a framework for legacy in that it acts over time, providing meaning for people, keeping activity ‘on track’ and allowing for challenge when people and activity stray. Its identification and nurturing is a key leadership activity…

…culture and behaviours
…and so is the building of a positive culture. If we accept that leaders will have to ‘let go’ at some stage, developing the culture and the behaviours that allow for the ongoing generation of value is a major part of creating the conditions for a successful legacy.

A word about ‘rules’
Whilst it was recognised that culture is ‘more influential than rules’, it was also accepted that rules (regulation, systems etc), and the part that Government plays here through policy, can support culture by providing a stable and long-term framework for action.
Cause and effect
If legacy is the long-term impact of actions taken now, and accepting that there will be ‘many a slip’, how can we be sure of cause and effect?

Perhaps we have to accept that we have little control over the nature of legacy. We can take the first steps and create the appropriate conditions but then, as we step away, we will have to let it run and trust to a positive outcome.

Past, present and future
It is worth considering the legacy that we have been left by our organisational forebears – are we happy with it? Would a review provide insight and could it assist the development of our own legacy?
effect of age and ownership structures

The role of age
It seems that leaving a legacy, that sense of giving or passing something on, becomes more important as we get older.

It was noted too that there seems to have been a shift in the mind of the younger generation as to what they view as important e.g. work/life balance, placing greater importance on purpose/meaning when making career choices and choosing the organisation they wish to join.

There is an opportunity here – to get the younger generation involved in the creation of the legacy that they are going to have to live with. In fact, it may be more an imperative than an opportunity.

Ownership and structure
Public, private or family-owned businesses, the public sector, not-for-profit organisations – they will all naturally see legacy through their own lenses, and the task of ‘leaving the organisation improved for the next generation’ will throw up different challenges for each of them.

What can they learn from each other? Do not-for-profits have a greater sense of purpose for example? Or is culture more focused and effective in the commercial world than in the public sector?

What about those studies that show that businesses with a strong family influence tend to out-perform those that do not?
Impact of markets and societal cultures

Influence of the market?
We heard that ‘the pressure to focus on the short-term in the current environment is strong’ and that ‘quarterly reporting destroys long-term thinking’. Clearly there is pressure to deliver shareholder return (although, with one eye on purpose, who wakes up in the morning and says ‘I’m really going to increase shareholder value today’?).

But there is also a role for leaders in managing expectations and making the case for the long-term. Would it be helpful to think about shareholder return in terms of ‘return on investment over time’?

Society
It seems that current societal culture tends towards the ‘Model 1’ way of doing business (generating cash in the short-term), at least in the UK – it was noted that the prevailing culture in Germany may be different. We heard that ‘most CEOs want to be there for three years and cash out’ and the reward incentives and structures are there to help them do so.

Does this suggest that money is actually a prime motivator, trumping purpose, mastery and autonomy (to reference Daniel Pink)? Or have we just lost sight of the difference between creating and extracting value?
concluding thoughts
Legacy thinking may not be a topic at the top of most leadership team agendas. But perhaps it should be, for two reasons. Firstly, it provides the framework, through the identification of purpose and the development of culture, for the creation of value over the longer-term. And secondly, in providing that longer-term perspective, it has a positive impact on the here and now, creating present as well as future value.

Something worth a place on an organisation’s agenda?
Sustainable Success Essay Competition 2013
Sir John Armitt with runner up Dinesh Venkateswaran, winner Daniel Sabido and Paddy Radcliffe (Telos Partners)