Event: FT Barclays Corporate Longevity Leadership Briefing

Innovation and reinventing for long-term survival

Keynote address: "Why are long-lived companies so exceptional? A look at how business needs to evolve within a digital and rapidly changing environment"

Good morning ladies and gentlemen.

When I was invited to talk on corporate longevity, it seemed to offer an interesting opportunity to reflect on what my own contribution to corporate longevity would be, and what it takes for it to happen. The more I delved into the topic, the more fascinating it became, particularly when it came to finding threads that were common to long life, no matter what business the companies were in. The nature of the world's oldest companies suggests that people have always wanted a place to sleep, eat food, get drunk, learn things, and sometimes kill each other and there is one missing, but I'll leave that to your imagination. The oldest known businesses are the Nisiyama Onsen Keiunkan inn in Japan (established 705AD), the Stiftskeller St. Peter Restaurant in Salzburg, Austria (803AD) and Sean's Bar in Ireland (900AD).

As you are a born and bred Johannesburger, Mr Skapinker, I am sure you will indulge me if I talk about my own company, Anglo American Platinum and its parent Anglo American to get the conversation going. Anglo American has been in business since 1917 when Ernest Oppenheimer raised capital to fund his ambition of winning control of De Beers and of using that as a pillar for creating a business and mining group that, at its peak, had, and continues to have, few global peers. Anglo American Platinum itself came into being as PPRust Platinum in 1926 which later acquired Rustenburg Platinum in 1929.

Sir Ernest, as he was later to become, was something of a latecomer to the world of South African mining groups. But it was, arguably, the long-term vision and determination that he and his son Harry introduced that combined to ensure that Anglo American is still in business, years after the demise of many of those once great houses that preceded it. General Mining, founded in 1895 by George Albu, is another great that still exists albeit in the form of BHP Billiton, now the world's largest diversified miner.

But though Anglo American's approach to its centenary is a matter of considerable pride, the Group is a comparative youngster when compared with the English-speaking world's oldest incorporated joint-stock company – The Hudson's Bay Company which was chartered on 2 May 1670 in London and which subsequently relocated its headquarters to Toronto.

Hudson's Bay started out like so many to exploit a natural resource – in its case beaver and other animal furs. I'll gloss over this trade which is now considered environmentally and ethically unsound and which led to a series of wars.
Yes, we had blood or conflict furs in the world just as we have had with a number of metals and minerals in more recent times.

Today Hudson's Bay has transformed into a trading company, with stores across Canada and the USA. It is no longer trapping animals or dealing in their pelts.

But was it the fur and trading monopoly that laid the foundation for Hudson's Bay's success? Was it the old De Beers trading that underpinned Anglo American's success? The Canadian and South African companies started out

differently – Anglo American and General Mining were headed and dominated over two generations by their founders and their founders' sons. Hudson's Bay was a joint-stock company run by a diverse board from its very outset. The answer to longevity is clearly not the 'ownership structure'.

Older than them are the Rammelsberg mines in Germany's Harz Mountains, producing copper and lead for a thousand years or more, the mines of the Kolar Gold Fields in India, being worked since the first millennium BC, or the more recent Potosi Cerro Rico silver mine in Bolivia producing since the 17th century.

The thing they all had in common to build on was an almost inexhaustible resource – diamonds, gold and platinum in South Africa, fur in Canada and silver in Latin America. But whereas the mines of Potosi and Kolar may have been operated for centuries, they did not lead to the creation of major long-lived groups like Anglo American or General Mining. The latter two and Hudson's Bay also enjoyed the benefit of growing in relatively stable societies – though of course in South Africa it was democracy for only a small proportion of the population until 1994, and imposed stability on the rest – clearly that was not a recipe for longevity.

Happily, that is no longer the case. And we at Anglo American remain proud that the company's leadership was well known for its support of liberal causes. Throughout, and more so today than ever, sensitivity to our social and physical environment is a central pillar of our continued existence – a commitment to sustainable development and shared value, as it is termed today. That is another prerequisite for longevity.

For Anglo American and General Mining, both also enjoyed degrees of freedom that would allow them to spread beyond the borders of the countries that gave them birth, to spread and, for good or ill, to build new ventures.

Work we, have recently done, shows that longevity in the resource business depends primarily on:

1). Ownership of the best assets;

2). Leadership can be gained by operating and developing these assets well, and sensibly re-investing excess cash flow back into existing and future asset positions;

3). Overall scale and a strong balance sheet, are also critical to help benefit from and fund opportunities and withstand difficult down cycles. Winners also actively manage their portfolios.

I have focused on the minerals industry because I believe that one key to corporate longevity lies in producing goods and services that people would have difficulty doing without – food (think Nestlé or Unilever) or minerals or banking and other services – and focusing on those in which the company, as a whole, has specific skills.

If tech-based companies are to succeed they need to be flexible, and that can be difficult for corporate behemoths. Look at 'Research in Motion', whose Blackberry product has performed like Icarus. An example we all know, one which has recreated itself twice is worth mentioning – IBM. It was founded in 1911 to sell commercial scales and, over the years transformed into a supplier of massive mainframe computers. It sought diversification into such things as

electric typewriters and even, belatedly, personal computers. But the PC rang the mainframe's death knell and IBM went through all sorts of trauma before rediscovering itself as a provider of software, consulting services and IT services. That meant a management break from the strictures of the Watson family.

Thomas J Watson, who had built IBM into a supplier of electromechanical punch card systems was bitterly opposed to electronic computers that he thought were overpriced and had no future, and it was only when his son succeeded him in the chair that IBM made the jump to electronics. Not that the junior Watson was a rebel, employees were expected to arrive at work in white shirts, suits, ties and black shoes. Conformity was the motto. Only when junior died did IBM make its second transformation.

The lesson: Visionary leaders are key for a company's success, but one that has been around too long, isn't always the best for a company, particularly if their management style is dominating or cannot see the future potential. Sea changes can be needed if a company is to live beyond a ripe old age.

Then there are many examples of companies that did not transform with the times or see the writing on the wall. We probably all know the Kodak story and that it filed for bankruptcy in 2013 after dominating the photographic world for decades and itself developed the digital technology that its competitors ran away with.

Many companies have also become spectacular croppers by diversifying into areas that may have seemed similar to their existing businesses but weren't.

Mergers and acquisitions can be a step backwards. One example I would cite is that of Shell which ventured out of oil in 1970 by acquiring the then 110-years old Billiton global metals company. It wasn't that Shell bit off more than it could chew or that Billiton did not expand, but over the next quarter century it became clear that the sheer spread of the enlarged Shell group was too great for the people at the centre to manage. Billiton, or parts of it, had to be hived off, and in 1994 its mining operations were sold to General Mining.

That enlarged group, named Billiton, became the basis for the 2001 merger with Australia's BHP to form BHP Billiton – a merger driven by Brian Gilbertson. Something crept into the equation and Gilbertson moved on. Now, less than a decade and a half later, BHP Billiton has accepted that size alone doesn't guarantee corporate success and has floated off South32, those pieces that were beyond management's chosen focus i.e. 'winners actively manage their portfolio'.

For the company I lead, Anglo American Platinum, to ensure longevity means modernising decades-old management styles and work practices. It means improving our relationship with the communities in which we operate. Communities must be able to see and feel a positive impact on their lives as a result of our operations. You may have picked up from the media that we announced yesterday a further re-organisation of our business, all of which is about ensuring the business remains sustainable into the future. We must continue to find new ways of mining more productively through mechanisation and the implementation of new technologies that can drive step changes in the industry. We must also constantly be thinking about new uses for our metals and being aware of potential blind-siding changes in technology.

In terms of developing new applications for our platinum group metals, we see that as a core part of our business and we are working with others in the fuel cell industry (Ballard Power Systems, for example) to promote the uptake of that technology – from zero emission vehicles to rural electrification solutions – as well as looking at other high-end technological applications for our metals such as sensors, hard disk applications and medical devices, to name a few. We are particularly enthused by the idea of the development of a local fuel cell industry which could create many thousands of jobs, provide clean, reliable power for South Africa, and will generally serve as a model for more effective in-country beneficiation. But a possible negative outcome could be that battery powered electric vehicles dominate future motor vehicle drive chains – and thereby 'eating our lunch' for platinum and palladium in autocats and fuel cell electric vehicles. Our longevity may depend on our reaction to these new technology advances.

I fear that I may not have provided an infallible guide to corporate longevity, however from these examples a number of recurring themes continue to surface:

- Long term vision and determination of the leaders. In general, consistently great leadership is the one common and consistent factor in companies that have survived for long periods;
- Ownership of the best assets in the cases of resource companies is paramount;
- A leadership position can be gained clearly by operating the assets well;
- Scale and a strong balance sheet obviously helps;

- Winners actively manage their portfolios and will make the tough choices at the right times;
- Longevity generally comes from companies who stick to what they know, but their leadership are also able to see when to change direction and transform their company, avoiding complacency and continuously innovating;
- Modern leadership can see that longevity is only possible if they are sensitive to the social and physical environment; and
- Have the right talent and the culture for this talent to flourish, is a cornerstone to longevity.

Finally as the American comic George Burns said; “I look to the future because that’s where I’m going to spend the rest of my life.