

The World's Most Enduring Institutions

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Project Overview

Booz Allen Hamilton has collaborated with leading experts to identify the world's ten most enduring institutions of the 20th and 21st centuries in the areas of arts and entertainment, business and commerce, government, nonprofits, and academia. These experts examined private and public organizations, in all facets of modern society, that have remained market leaders over a relatively long period of time, despite significant changes in their operating environments. These organizations were selected based on a variety of criteria, not the least of which is an outstanding history of adapting effectively to significant changes in their operating environments. The specific determinants are as follows:

- **Innovative capabilities**—The capacity to create and modify strategies based on market opportunities and threats.
- **Governance and leadership**—A leadership structure and senior management team that promote an organization-wide commitment to enterprise resilience.
- **Information flow**—A continual flow of information regarding an organization's operations and markets that is evaluated by senior management in making strategic decisions.

- **Culture and values**—A working environment in which the adaptive qualities required for enterprise resilience are cultivated.
- **Adaptive response**—The ability to withstand operational disruptions, market risks, and other threats without significantly compromising an organization's effectiveness.
- **Risk structure**—A system for managing risk that doesn't encumber or limit an organization's operations.
- **Legitimacy**—The undisputed, withstanding credibility of an organization within its market.

The experts with whom Booz Allen Hamilton collaborated—and their individual fields of scholarship—are as follows:

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Based on the above, the world's ten most enduring institutions are as follows:

Arts and Entertainment:

Modern Olympic Games
 Rolling Stones

Business and Commerce:

General Electric
 Sony

Government Institutions:

American Constitution
 International Telecommunication Union (ITU)

Nonprofit Organizations:

Salvation Army
 Rockefeller Foundation

Academic Institutions:

Dartmouth College
 Oxford University

Detailed Findings***The Modern Olympic Games***¹

The revival of the Olympic Games was the brainchild of Pierre de Coubertin, who believed that international competition would help promote friendly relationships between people from different countries. In 1894, de Coubertin founded the International Olympic Committee and two years later, 241 athletes from 14 nations competed in 43 events in Athens. A century later the Olympic Games are still steeped in mythological lore and relentless tradition. Over and above the sporting exploits, the Olympics are a source of multiple passions that serve to unite the world.

The Olympics have endured even when events threatened to overshadow their importance. The Olympic Games in Paris in 1900 and St. Louis in 1904 were eclipsed by the Paris Universal Exhibition and the Louisiana Purchase Exposition, respectively, which were simultaneous events. The Games have been cancelled three times—in 1916 during World War I, and again in 1940, and 1944 during World War II.²

Following de Coubertin's example, the International Olympic Committee (IOC) has subsisted under the leadership of six succeeding presidents. The IOC exists as an umbrella organization for the entire Olympic movement. The IOC is composed of a maximum of 115 members who meet at least once a year at the IOC Session. Members are nominated by committee and selected by the IOC, and retain their membership until the end of the calendar year they turn 70 years old. They are individuals who act as the IOC's representatives in their respective countries, *not* as delegates of their country within the IOC. This, along with the long-term appointments, give the committee members a degree of independence that is intended to ensure decisions made in the interest of the Games, rather than of individual countries.

The IOC's essential mission includes choosing a host city, organizing the Games, protecting the athletes, promoting the sports, assisting in human development, and fulfilling the mission of the Olympic Charter. By retaining all rights relating to the organization, marketing, broadcasting, and reproduction of the Olympic

¹ Harder, Joseph with contributions by Woodward, Hayden.

² Additional Olympic history available at <http://www.ausport.gov.au/info/olympic.htm> (accessed 22 June 2004).

Games, the IOC ensures the continuity of the universal event.³

Effective leadership helped pull the games through. Spain's Juan Antonio Samaranch was elected President of the IOC during the 1980 Summer Games. He brought the world back into the Olympics and made the Games secure from bankruptcy. The rebirth started with the 1984 Los Angeles Games. The Los Angeles organization, under the direction of Peter Ueberroth, insisted the Olympics could be a moneymaking enterprise. With relentless marketing, shrewd sales of a limited number of corporate sponsorships, and an event schedule that conformed itself to the needs and demands of television, the Los Angeles Games netted \$225 million.⁴ Despite the rise of pay-per-view television, the Games remain on free television worldwide. In the past two decades, worldwide television revenues have fattened the IOC's coffers by \$12 billion.⁵

While Samaranch was often criticized for fostering over-commercialism, the Olympics are in fact the only major sporting event that does not allow advertising in the stadiums and venues themselves. Samaranch got rid of the pretense of amateurism, and made the Olympics professional, allowing athletes to build careers as runners, swimmers, gymnasts, and weightlifters.

Indisputably, part of the Olympic lure is its traditions. The Olympic flame symbolizes the endeavor for perfection and the struggle for victory. Over the years, famous athletes from the host nation have lit the Olympic flame. On other occasions, the final torch bearer was not famous, but was chosen to represent Olympic ideals. Japanese runner Yoshinori Saki, born the day the atom bomb exploded over Hiroshima, lit the flame at the 1964 Tokyo Games, symbolizing the rebirth of Japan after World War II.⁶

The Games' success is due in part to its quick adaptive response to the times, both in terms of threats and opportunities. The first winter Olympics, an innovation of expansion, took place in Chamonix in 1924 with 258 athletes from 16 countries participating. The Winter Games were an opportunity to showcase sports played on snow and ice, ensuring that the Olympic

flame touched sports across all seasons. The Winter Games were held during the same four-year cycle as the summer games until 1994, when they began being staggered by two years. This two-year cycle broadened Olympic exposure, further expanding its domain in the public mind.

Rumors of corruption within the IOC—particularly in bidding for the members' votes in the bid city process—have existed since the mid-1980s. The internal corruption led to disaster in the lead-up to the 2002 Salt Lake City Games. Bidders slathered IOC members with more than \$1 million in gifts, scholarships, and phony jobs on the way to the Games. Following the Salt Lake City corruption allegations, Samaranch appointed a commission to gather evidence. The crisis showed the IOC members that several changes needed to be made to maintain the legitimacy of its institution. Among the most significant changes were the creation of the IOC Ethics Commission, the World Doping Agency, and a Nominations Commission for IOC membership. The procedure for electing candidate cities was amended and visits by IOC members to candidate cities were abolished. Additionally, IOC Sessions were opened to the media for the first time.⁷

The Olympics is more than just a sporting event. Standing among the Mark Spitzes, Olga Korbut's and Jim Thorpes as Olympians is an Eric Moussambani. Eric is from Equatorial New Guinea and came in last in the 100 meter freestyle in the 2000 Olympics. Who knew that Equatorial New Guinea had a swim team? But Moussambani was embraced, not for winning the Olympics, but just for taking part.

After the Israeli athletes were killed in 1972, IOC President Avery Brundage was under immense pressure to cancel the Games. Instead he ordered, "The Games must go on." And for over a century, despite numerous obstacles, they have continued to do so.

The Rolling Stones⁸

The related areas of arts and entertainment merge with The Rolling Stones, a rock and roll institution that continues to reinvent itself. Despite their early

³ IOC information available at http://www.olympic.org/uk/organisation/ioc/index_uk.asp (accessed 23 June 2004).

⁴ Bob Ford, "Juan Antonio Samaranch Leaves a Mixed Legacy," Knight Ridder Newspapers, 14 July 2001, K1659.

⁵ Jere Longman, "Samaranch's Complex Legacy," New York Times, 10 July 2001, D2.

⁶ Olympic flame history available at http://en.wikipedia.org/wiki/Olympic_Flame (accessed 22 June 2004).

⁷ IOC information available at http://www.olympic.org/uk/organisation/ioc/organisation/index_uk.asp (accessed 24 June 2004).

⁸ Harder, Joseph with contributions by Woodward, Hayden.

attempts to abdicate the throne of musical fame (their first farewell tour was in 1972), the Stones keep rolling.

A group of poor boys from provincial areas of Great Britain, the original band included Brian Jones and Keith Richards on guitars, Mick Jagger as vocalist, Ian Stewart on piano, Charlie Watts on drums, and Bill Wyman as bassist. Beyond their respective musical talents, each member contributed to what would become the band's unique culture. Their 19-year-old manager, Andrew Oldham, cultivated their bad boy image and set the Stones up to be the opposite of England's other popular band at the time—the Beatles. Keith Richards defined the band's image with his rough looks, gravelly, barely comprehensible voice, and eventual over-the-top drug habits. He was also a great innovator. Having learned to play the guitar from Chuck Berry recordings, Richards created his own style and developed a unique rhythmic interplay with drummer Charlie Watts.

As their counter-Beatles image developed, the group's infamy led to being denied service in certain pubs and shops. One headline noted "Too Scruffy Stones Are Refused Lunch."⁹ Oldham ensured the press swallowed outrageous Rolling Stone stories and printed them. In one of his most enduring, Roy Coleman wrote in *The Melody Maker*, "Would you let your daughter go with a Rolling Stone?"¹⁰ Things got out of control and Oldham kept adding material. For example, the *Thanet Times* published, "They don't wash too much and they aren't all that keen on clothes. They don't play a nice-mannered music but raw and masculine."¹¹ By 1964, the Rolling Stones made the leap from being written about in the music press to the national papers.

Becoming widely popular in Great Britain, the Stones decided to mount their first U.S. tour. With the exception of a single sold-out show at Carnegie Hall, the excursion was a bust. The band decided the press needed to hate them in order to draw crowds—just like in Europe. So they headed back to England to comply. Bad press was easily attained stateside in 1965 when their single "Little Red Rooster" was banned in the U.S. for sexual connotations. Their popularity soared and their next U.S. shows sold out.

The Rolling Stone's adaptive capabilities emerged early in their career. Musically, guitarist Mick Taylor was hired to complement Richards. The band's music remained hugely popular in the 1970s. Riots ensued after numerous European tours, most notably in Scandinavia and Germany. On the business side, the group started hiring executives to manage their enterprise. The company logo, fondly referred to as the "tongue" was developed in 1970. Their business advisers were kept out of the limelight but their influence was visible in the handling of merchandise, royalties, tour promotions, and productions.

While the Rolling Stones lived under the banner of "this band will never last," things looked like the group may really be calling it quits during the 1980s as relationships faltered and solo albums birthed. But the group got back in the studio and in 1989 got things together and launched the Steel Wheels tour, which was widely popular. That very same year, the Rolling Stones received a Grammy for lifetime achievement and were inducted into the Rock and Roll Hall of Fame. They were back to business.

Since 1989, the band has generated more than one billion dollars in gross revenue. The group had deep roots in business, having made deals over the years with big companies like Anheuser-Busch, Microsoft (which used "Start Me Up" to launch Windows 95), and Sprint. By the 21st century, the Stones were a huge concert touring, Internet, and marketing machine. They had an extensive, worldwide fan community. Their own fashion line, international ticket sales, promotional and sales activities, and WiFi-enabled laptops traveled with the group and crew. The Stones had no need to tour since they could exist on licensing, royalties, and innovative merchandising, yet they continued.

The Rolling Stones have endured primarily because of adaptive responses to environmental threats. Through this, their legitimacy as rock and roll legends has continued to build. They are an enduring institution in spite of their own beliefs that their time in the spotlight was going to be short.

⁹ Bill Wyman, *Rolling With The Stones* (London: DK Publishing).

¹⁰ Wyman, 105.

¹¹ Wyman, 105.

General Electric¹²

Thomas Edison started General Electric (GE) in 1878 with \$300,000, a lightbulb, and the name Edison Electric Light Company. The goal of Edison and his co-investor, Grosvenor Lowry, began with the mission that would later become the company's famous ad slogan: They wanted to bring good things to light and life. Today, GE stands alone as the only company still listed on the NYSE that was part of the original list when the Exchange was founded in 1896.

Their simple mission found the company interacting closely with those who handled transmission lines and those who operated commercial buildings. Still serving consumers with electricity, GE expanded into any product that involved or used electricity. Ahead of its time and different from the companies of its era, GE's research lab was up and running by 1900 and continues today with GE holding more patents than any company in the U.S.

The simple theme of electricity has carried GE into seemingly diverse areas of business, but there is an interconnectedness that is part of GE's longevity. Trolleys gave way to trains, cars, and planes. GE manufactured engines for trains and then moved into jet engines, an area in which it still has great market strength. GE also discovered that its buyers needed financing for purchases as large as engines, and GE Capital was formed, a company that now lends to airlines but also carries mortgages and financing for consumers. Its steam engine expertise today is put to efficient use in power plants, from coal-fired to nuclear. The lightbulb was only the beginning of consumer potential for use of electricity, and GE expanded its household name from this remarkable invention into a full product line of toasters, ovens, skillets, and hair dryers. It manufactured and sold large appliances such as refrigerators and washers and dryers, and GE Capital helped consumers finance the purchases.

But all forms of financial services did not prove successful for GE. Its acquisition of Kidder Peabody had a disastrous ending when an accounting scandal at the firm, related to its bond-trading division, forced GE to sell the firm at a \$600 million loss. GE perhaps rec-

ognized that it had drifted so far from its core electric, financing, and consumer products focus that it did not have the expertise for management of a Wall Street firm. The Kidder Peabody loss shows a remarkable trait of GE and other enduring companies: When they make mistakes, they absorb the loss, internalize the mistake, and engage in introspection about their future strategies. Enduring institutions need not be perfect to survive, but they avoid the same mistakes twice.

GE is an enduring company for many reasons, but one trait that it shares with other longstanding businesses is an ability to think in demographic terms. That is, GE managers and employees use trends and population information to determine diversification of product line. Enduring companies do not react to customers and their needs; they anticipate products and consumer needs. For example, some patients were resistant to MRI technology because of claustrophobia. GE developed an open MRI so that these patients were more comfortable. The quality of GE's equipment, coupled with its patient-sensitive innovations, positioned GE as a primary force in medical imaging.

Like other enduring companies, GE has a culture of innovation, one in which research and development is a must, but also one in which employees are expected to be innovative in production, manufacturing, and even billing. Innovation is a company mantra. Employees embraced and used the GE Six Sigma program with passion. Based on the language of statistics, Six Sigma was launched and made a part of the culture by retired GE CEO Jack Welch. Under the program, employees search for that close-to-perfection marking point in everything from product life to allocation of company resources. Six Sigma refers to that part of the bell curve that measures standard deviation. For most companies, the standard for defects is three sigma, or about 35,000 to 50,000 defects per one million produced. Six Sigma, the GE standard, translates to only 3.4 defects per million.

GE's culture, like other enduring institutions, has an overarching theme of stability. GE has had only 9 CEOs since its founding and their average tenure has been 13 years. The tone of GE's board is also the tone

¹² Jennings, Marianne with contributions by Grossman, Louis.

of the culture among employees. Perhaps the tone seems harsh in an era of restrained feedback and performance evaluations that reveal little about an employee's performance. But, the employees appear to understand that they are in pursuit of a central core value: "Live quality and drive cost and speed for competitive advantage." Still, despite the demands of its no-nonsense and intense culture, GE continues to appear on Fortune magazine's list of America's Most Admired Companies.

Sony¹³

Sony is a postwar international company synonymous with quality. Even the name Sony, chosen in 1958, reflects the company's culture—it was created by combining two words. One is the Latin *sonus*, which is the root of such words as *sound* and *sonic*. The other is *sonny* meaning little son. The words were used to show that Sony is a very small group of young people who have the energy and passion for unlimited creation.

There are no blue collar and white collar employees at Sony. They are all employees of the company and all take responsibility for the company's reputation in terms of quality, keeping promises, and delivering cutting-edge products. This type of flat organization supports open communication and the flow of ideas up and down. Sony's history demonstrates that when one person has an innovative idea, whether for a product, its marketing, or its distribution, the Sony organization embraces it and pursues it.

Sony has exhibited a long record of innovation. During World War II, tape recorders were being made in the United States, but Sony engineers were not satisfied with the existing tape and its quality. Through testing, refinement, and relentless searches for proper metals, Sony produced a tape with ferrite, following a long journey that included a detour to a cosmetics factory to learn how to reduce substances to a fine powder for use on tapes. Sony coated its tape with the fine powder and produced a superior tape recorder, a pattern that Sony has repeated many times over the past 60 years with many products.

But Sony's innovation is not limited to product development. Sony has also used unique product promotions.

Sony has explained that it follows a philosophy of "dig the ditch before you drain the water" in its marketing. Sony studies consumers not just for how they use products, but for their way of life and how they could use products. For example, Sony developed a list of "999 Ways to Use a Tape Recorder" to demonstrate that nearly everyone could put a recorder to use. The resulting demand from Sony's unique and effective marketing was so great that Sony executives changed traditional distribution systems. With great foresight, the executives created a separate subsidiary for distribution of Sony products. The managers in the subsidiary focused on who needed or could use the recorders and other Sony products and then established the channels for distribution, an international network that still exists today. While other companies were simply shipping their products to stores, Sony was finding ways to get products to customers faster and more cheaply than the traditional "box and ship" methods. It was as if the nature of Sony's new products demanded innovation in all aspects of doing business.

But even as its recording name was established, Sony was evolving in another form of electronic entertainment: the television set. While the rest of the electronics producers concentrated on producing and delivering black and white television sets, Sony was developing smaller, portable televisions and finding a way to make the current bulky models for color television smaller. Drawing on its work in the film industry with Paramount Pictures, Sony developed its Trinitron technology. The resulting high resolution color TV, without the bulk of the color tubes in other companies' models, would become the top of the line in home television.

Sony engineers realized that there were other products that could be used with televisions, products consumers were not even aware they would use. Sony developed the first consumer videotape recording technology. The Betamax video recorder was introduced in 1975 to buzz around the world about its potential. The technology for recording films and television shows with Sony's videotape recorder was so superb that the film studios filed suit against Sony for vicarious copyright infringement; that is, the studios maintained that Sony violated its copyrights by creating a technology

¹³ Jennings, Marianne with contributions by Grossman, Louis.

that allowed consumers to record movies and shows for personal use. In *Sony Corporation of America v. Universal City Studios, Inc.*, 464 U.S. 417 (1984), the U.S. Supreme Court held that Sony technology could be used for beneficial purposes and that those beneficial uses outweighed the potential for abuse. Sony paved the way, through both its technology and the courts, for the video market.

The innovation continues, always with that strong foundation of quality and close connection with customers. Sony is the name that four generations now know as a premier producer of consumer electronic devices. Its name on the Jumbotron in Times Square in New York City seems somehow very natural because Sony products are a part of daily lives around the world. Tiny, but miraculous, electronic devices have made Sony a name consumers trust and given the company a longstanding global presence.

United States Constitution¹⁴

Ratified in 1787–88 to replace the dysfunctional Articles of Confederation, the United States Constitution embodies all of the qualities that enable institutions to adapt and endure.

While the Supreme Court continually interprets the Constitution, the basic principles it embodies have remained fundamentally unchallenged for over 200 years. Extraordinary circumstances bring constitutional amendments, which highlight the institution's capacity for self-improvement without starting from scratch. Sometimes the institution innovates by overturning its own previous amendments. For example, Prohibition was enacted through the 18th amendment (ratified 1919) but was then dismantled through the 21st amendment (ratified 1933). The potential to enact change through constitutional amendment but then to neutralize that action through subsequent amendment is a powerful testament to the innovative capacity of the Constitution. It is striking that both amendments stand today as part of our living constitution. Canceling each other out, their contradictory presence symbolizes the flexibility of the Constitution itself. Yet from the time of its adoption, the Constitution has changed only 27 times, and if we count the Bill of Rights (ratified in

1791) as part of the original document, it has changed only 17 times over the course of the past 203 years.

The ingenious separation of powers system, designed as an insurance policy against tyranny, separates power into three branches (executive, legislative, and judicial) and institutes a bicameral structure for representation (the House and the Senate). While this unique set of arrangements can sometimes create malevolent information partitions, the factions associated with such partitions will tend to cancel each other out, making it very difficult for majority faction to prevail and in so doing successfully containing faction's most pernicious effects. In this sense, the Constitution ingeniously exploits the natural human tendency to advance particularist interests by giving them full rein. In addition, the freedoms of speech and the press articulated in the first amendment further enhance the flow of information in American democracy.

The Constitution implicitly acknowledges that mistakes are inevitable where human beings are concerned, allowing for amendment of the Constitution when American citizens demand it. Thus, our highest court at one time could rule that the Constitution does not consider slaves to be citizens but the property of their masters (*Dred Scott v. Sanford*, 1857), but after a bitter Civil War, Americans could reject that verdict by passing the 13th amendment (ratified 1865), which abolished slavery, the 14th amendment (ratified 1868), which provides for the civil rights of freed slaves, and the 15th amendment (ratified 1870), which guaranteed the right to vote to African-Americans. Through sequential amendments to the Constitution, therefore, the American people were able to begin to heal the wounds of civil war and place the American republic on a wholly new footing while upholding the legitimacy of the very Constitution that had permitted slavery in the first place. As the oldest written constitution in force in the world today, there is perhaps no better example of the virtues of adaptive response than the U.S. Constitution.

The Constitution's legitimacy flows in large part from its exceptional transparency; it is clear and concise and provides a compelling blueprint of how American

¹⁴ Kraus, Michael with contributions by Stanger, Allison.

government is to work. Its credibility as an example to the world is simply undisputed and only grows over time. Its credibility to the citizens it protects is also unquestioned. One need look no further than the American electorate's unquestioning acceptance of the problematic results of the 2000 presidential elections, an outcome that would have sparked profound social unrest in most other countries. A resilient set of principles and practices that accept human nature rather than endeavoring to change it, there is no enduring institution more worthy of emulation than our own basic law.

International Telecommunication Union¹⁵

When representatives of 20 countries met in Paris to negotiate the first international communication standard the year was 1865 and Abraham Lincoln was the U.S. President. Those negotiations gave rise to the International Telegraph Union, renamed in 1934 the International Telecommunication Union (ITU). The oldest international organization today, the ITU became a specialized agency of the United Nations in 1947. Though it has remained faithful to its original purpose, its functions have expanded and its role has evolved considerably over the 140 years of its existence. Despite the ITU's relative obscurity, its influence is virtually ubiquitous. As its own Web page proudly proclaims, "Every time someone, somewhere, picks up a telephone and dials a number, answers a call on a mobile phone, sends a fax or receives an e-mail, takes a plane or a ship, listens to the radio, watches a favourite television programme or helps a small child master the latest radio-controlled toy, they benefit from the work of the International Telecommunication Union."

Active and operational throughout its long history, the ITU's adaptive response to disruptions has been tested on at least three different levels: adaptation to changing political and economic conditions in which the ITU operates, on the one hand, and adaptation to the rapid changes in the technology that the ITU regulates, on the other. Two world wars, including wars among the ITU's members, as well as the Cold War, have not dislodged the ITU from its role as an effective engine of cooperation among member states where

telecommunications are concerned. To be sure, the ITU's effectiveness stems to some extent from the very nature of telecommunications, where no state can afford to go it alone. But during its first 100 years, the ITU's durability was also—somewhat paradoxically—enhanced by governments that tended to monopolize telecommunication technologies. As a result, they allowed the ITU to play only the more limited role of facilitating connections and interoperability among different systems of communication. In short, in periods of international conflict, such as the Cold War, the ITU's limited scope of activity clearly protected its status and independence.

But in recent decades, with the onset of liberalization and privatization of telecommunications, the ITU's tasks have shifted from serving the interests of government monopolies to providing policy tools, information about best practices, and technical knowledge to regulators, policymakers, and members of industry, including operators and equipment manufacturers. Indeed, the ITU sees its main mission today as promoting access to telecommunications services for every citizen in the world.

What makes the ITU virtually unique among international organizations is that it brings together plenipotentiaries from nearly all governments with representatives of the private sector. Arguably, the very presence of manufacturers, operators, and their associations accounts in some measure for the ITU's innovative capabilities. Coping effectively with the shift in communications from the telegraph to radio and broadcast communication, the ITU has positioned itself as a center-stage player in the information age as well.

In what are clear signs of organizational growth and resilience, in less than three years between 1999 and 2002, the ITU membership grew from 553 to 697. ITU has also embraced new challenges along the way, including a leading role in the World Summit on the Information Society (2003–2005) that seeks to bridge the "digital divide" between the "haves" and "have nots," and to facilitate information and communication technologies (ICT) infrastructure in developing countries. Because of its leadership and proven capability

¹⁵ Kraus, Michael with contributions by Stanger, Allison.

in the coordination of global telecom networks, the ITU has the requisite legitimacy to play a major role in the deliberations concerning the governance of the Internet.

Undoubtedly, as it assumes new functions and responsibilities in the ICT realm, new organizational adjustments will have to be made. But then again, the ITU's long history is one of adaptation to rapid changes in the international environment and of innovation at the technological frontier. It is a story of organizational resilience and institutional endurance against all odds.

Salvation Army

Few organizations are more prominent and respected than the Salvation Army. One element of the Army's operation that is noteworthy is the diversification and breadth of its portfolio of services. As the problems besetting society have changed, so too has the Salvation Army. Today, the Salvation Army has turned into a powerful international agency operating in over 100 countries worldwide. Even though the Army's worldwide scope is immense, it will likely continue to grow strategically, focusing on a mix of programmatic activities that varies from location to location, depending on the local needs. The ability to pull from its portfolio of program services a varied set of activities allows the Army to adapt to the shifting roles it is called to play in locations around the world. The breadth of programmatic services now available is thus a critical element in the Army's ability to continually adjust and adapt to the community in which it operates.

The Salvation Army began in 1865, when its founder William Booth, a London minister, decided to step out from his pulpit and work in the streets where the poor were suffering. His original intention was to convert the poor to Christianity and to encourage them to attend local churches. However, Booth discovered that few of the churches of the day were eager to have the poor share the pews with their regular congregants. So Booth founded a church aimed at meeting the needs of the poor in London. The Salvation Army now operates churches or citadels all around the world and attempts to link its traditional religious services to its vast outreach efforts aimed at helping those in need.

In many ways, the main strength of the organization derives from its ability to motivate and inspire its workers. Unlike many businesses that must use a never-ending parade of incentives to get employees to be productive, the faith dimension of the Salvation Army allows it to have a dedicated, and in many cases overworked and underpaid, workforce that will do whatever it takes to get the job done. This is the main source of the organization's success, reputation, and enormous capacity.

While the Army does have a massive transnational budget of \$2 billion and works with some 30 million people, it resists the temptation to view the organization in purely instrumental or economic terms. To preserve and strengthen its internal organizational culture, the Army engages in a number of very simple but effective practices. The first and most obvious is the wearing of uniforms, which not only identify its staff but give them a distinctive identity. During the holiday season, the Army engages in its fundraising tradition of ringing bells and collecting change. These practices reaffirm each year in the public's mind a distinctive image of the Salvation Army: a group of dedicated persons willing to stand in the cold, driven by deep religious commitment, part of long tradition of service, and operating with great discipline.

The Salvation Army has an unusual governance system. Organized along a series of distinctions around rank, it does not have the common flat chart that many nonprofits strive to achieve. Hierarchy and chain of command are part of the system that allows this organization to operate at a large scale and maintain some control across the organization. The Salvation Army has a reputation and a tradition for choosing inspired and talented leaders. The most important aspect of the leadership of the organization is its ability to motivate and inspire workers and over 3 million volunteers to commit to the dual mission of religious salvation and community service. Leaders of the Salvation Army, like retired National Commander Robert A. Watson, have been sophisticated and well-trained managers, but more importantly they have been able to articulate and build support for the mission of the organization in a way that has generated huge amounts of gifts.

Because of the vast amount of work it does and the tremendous commitment of its staff and volunteers to a potent mission and calling, the Salvation Army endures in large measure because it has earned a unique reputation and high level of public trust. The Army is viewed as possessing a high level of legitimacy in the nonprofit sector because it has defined its mission in a principled fashion and stuck to it over a long period of time.

In the nonprofit sector, it is often hard to measure performance and to differentiate between the quality of services because of the complex and intangible character of much of the work that goes into charities. Moreover, the payer for a service, be it disaster assistance or soup for the homeless—is often different from the consumer or user of the service. This separation of the payer and user makes it critical that trust be present within nonprofits so that the person providing the money can feel confident that the person receiving the services is benefiting. Often the only thing a donor has to rely on when making a decision to give is the reputation and good name of the nonprofit organization. The powerful sense of legitimacy earned by the Army over the long haul is thus a key factor in explaining its success, and it will be a critical factor in driving the organization's continued success and growth in the future.

Rockefeller Foundation

With assets today of over \$2.5 billion, the Rockefeller Foundation is focused on “improving the well-being of people throughout the world.” This is a broad mandate, but one that the organization has interpreted in different ways over the past century as the major problems facing humanity have evolved.

At the turn of the century, John D. Rockefeller recorded his views on giving in his essay “The Difficult Art of Giving,” and suggested that the goal of philanthropy should be to identify the underlying causes of poverty, rather than to address only poverty's symptoms: “The best philanthropy... is not what is usually called charity. It is, in my judgment, the investment of effort or time or money... to expand and develop the resources at hand, and to give opportunity for progress and healthful labor where it did not exist before.”

Today, the foundation is still pursuing ways to get at root causes, trying to understand and address the drivers behind some of the major obstacles to advancement and development. This commitment to getting to the underlying causes of social problems has remained a constant theme for the foundation. To be sure, the foundation has interpreted the call to create opportunities in many different ways over the decades, though most of the grants programs have reflected to some extent a commitment to creating opportunities for those in need. While many nonprofit organizations labor under narrow missions and highly restricted mandates, Rockefeller left his foundation a very broad calling that could be interpreted and reinterpreted as the foundation's trustees saw fit. This has proven to be both a huge advantage and major challenge. On the one hand, the trustees of the foundation have been able to interpret the core commitment to opportunity creation in many different ways as times have changed and as needs have shifted. On the other hand, the open-ended nature of the mandate has put some pressure on the foundation to defend and justify the choices it has made.

While the foundation now is run by a team of professionals who report to a governing board, the fact that the founder left behind a set of core principles and commitments clearly spelled out has helped the Rockefeller Foundation innovate and evolve within a set of boundaries. To further reinforce the history and the legacy of the donor, the Rockefeller Foundation has taken a leadership role in the field by establishing and maintaining a comprehensive archive center, where the papers of John D. Rockefeller, the family, the foundation, and its many related institutions are kept. Unlike the loss of meticulous records of many nonprofits, these archives have allowed the organization to preserve an important record of its past, encouraged scholarship on philanthropy, and helped reinforce the core vision and principles of the founder.

One distinctive factor that has allowed the Rockefeller Foundation to survive for over a century is its financial strength, stemming in large measure from its endowment. However, a more negative effect of the robust risk management system that endowments

represent is that they can become insulating and shield the Rockefeller Foundation from criticism and any pressure to perform well. Without a market test, the Rockefeller Foundation must be motivated by loyalty and commitment to mission rather than by pressures from outside the organization. This can and does place a burden on the foundation to engage in constant and regular self-assessment.

With little financial pressure on foundations, it would be easy to close the institution off to the world and to retreat into the comfortable and protected space that having an endowment creates. Over time, the Rockefeller Foundation has resisted this temptation and sought to create porous boundaries that allow new ideas and ways of conceptualizing problems to enter the foundation.

One way in which the organization has done this is by partnering with other funders in the financing of a large number of diverse initiatives. Another way to ensure the flow of information into the organization is to take steps to ensure that the trustees who govern the institution get fresh and insightful advice about how best to plan the future direction of the organization. Unlike some foundations that have settled on a relatively narrow and technical set of criteria relating to the particular challenge of managing the operations of a foundation, the Rockefeller Foundation has consistently sought out highly educated, broadly experienced, and accomplished generalists to lead the institution. This is significant because rather than take grant-making as a field of expertise unto itself, Rockefeller has sought out people of talent who can bring to the foundation their substantive knowledge and expertise in fields such as medicine, urban development, and in the case of the current president, agricultural ecology. Because the president reports to the board and because the board is ultimately responsible for the long-term viability and performance of the institution, leadership selection turns out to be an important way to ensure the foundation has a regular infusion of fresh ideas.

Dartmouth College¹⁶

Dartmouth College's understated contemporary strength masks some of the most important and

contentious episodes in the history of American institutions in which the college literally fought for its survival. Not only has Dartmouth endured—its record of endurance has had implications (and benefits) for all American organizations, both academic and commercial. Here's an important case where its history is not dispensable nostalgia or an antiquarian slide show. Rather, it's the key to understanding the institution's enduring vitality.

Since its inception, Dartmouth has set an example for many universities and colleges in America. A good example of this is that in 1819 Dartmouth College helped create the legal protections and popular sentiment that have helped colleges and universities to thrive in the United States to this day. In the landmark *Dartmouth College v. Woodward* case before the Supreme Court, alumnus Daniel Webster combined tough-minded legal reasoning with emotion as he concluded his remarks with the legendary claim to Supreme Court Justice John Marshall, "It is, sir, but a small college. Yet there are those who love it..." Webster—and Dartmouth College—prevailed. The case protected the sanctity of a college charter—and, by extension, protected institutional charters and business contracts in all aspects of American life from arbitrary intrusion. This is a legendary event that each year Dartmouth College has handed down as a serious aspect of heritage for new, entering students to internalize—and remember.

If facing up to—and prevailing over—hostile external forces was the Dartmouth legacy of 1819, a bit more than a half century later, Dartmouth made a contribution of a markedly different sort. It demonstrated how an academic institution could reform itself of dry rot. Fed up with a curmudgeon president who thwarted good will efforts to raise the educational level of the institution, Dartmouth's constituencies (undergraduates, alumni, faculty, etc.) prepared a bill of particulars and summoned the president to answer the charges of neglect. Faced with this earnest consensus of informed critics who were loyal to the college, the derelict president resigned. The same alliance of students, alumni, and faculty responded in kind with a presidential search and renewed commitment. Under the new

¹⁶ Thelin, John.

president, Dartmouth College went from a floundering, financially weak institution of about 300 students over the next 20 years to an enrollment of more than 2,000, a robust endowment, and a national reputation as the most prestigious undergraduate college in the United States. What made this self-reform especially remarkable is that it took place precisely during the decades when advocates of the creation of new, large universities were predicting the death of the liberal arts college. Not only did Dartmouth College defy those odds, it dared to create a special institution that did not follow the conventional wisdom of university-building that dominated the era.

Having survived these life-threatening crises, Dartmouth College has been judicious in its planning during the late 20th century. It has admitted women and become a full-fledged coeducational campus. Its academically selective undergraduate liberal arts core now connects to selected advanced graduate professional schools of law, business, and medicine. Mottoes can matter. Illustrative of Dartmouth's ability to maintain a sense of community is that in 1970 during the nationwide campus unrest associated with the student deaths at Kent State University and Jackson State University, Dartmouth asked each of its current undergraduates to write a personal letter to assigned alumni. The result was that, whatever differences of opinion within the Dartmouth family, they were in touch across generations. On another front, Dartmouth showed that its historic buildings need not be at odds with the most modern curricular innovations. Thanks to the initiative of a president who was a mathematician and a pioneer in the new field of computer science, Dartmouth became the chosen site for state of the art innovation in computer technology—and computer-based college learning in the United States. Dartmouth acknowledged its colonial roots and original royal charter with the inscription “Vox Clamantis Deserto”—“A Voice Cries Out in the Wilderness!” That historic message resonates well today.

Oxford University¹⁷

Oxford University illustrates the adage that rank has its privilege. It also shows that age has its advantages.

When analyzed by the standards of American efficiency and accountability, Oxford is difficult to understand. Yet its combination of longevity, resilience, and influence make this university difficult to ignore. At every turn it teases our predilection for precision. Certainly it is old—but no one is exactly sure when Oxford University was founded. It is characterized by custom and conservatism—yet surprises its critics with its ability to innovate. Its academic records include no detailed transcript of a student's courses and grades—yet its academic degrees are universally respected. The institution is provincial in its indelible connection with England—yet international in its renown and in attracting students and sending forth its graduates. Oxford's administrative structure is baffling to American business—yet the university and its constituent colleges seem to work.

The best estimate is that Oxford has been around as an institution since the late 11th century. By the 13th century its member units—called “colleges”—had been incorporated by statute and had endowments. Today, the university consists of 39 colleges plus the university center as an umbrella. It is world famous for its distinctive approach to undergraduate education as part of an unusual academic structure. The strength of the university is the self-endowed, self-governed member colleges that combine living and learning in a unique scheme of residential undergraduate education.

Whereas in the United States, the typical academic structure is highly centralized—with a single external board connected to a hierarchy of a president, provost, and dean—Oxford University is in stark contrast. It has no president. Its highest official on paper is the “chancellor”—but no one is either clear or worried about what a chancellor does. The vice chancellor, a limited term rotating position, provides some titular authority. But even this pales in comparison to a CEO or a president in an American college or university.

Oxford made an enduring contribution to academic freedom and institutional survival in the aftermath of the infamous, bloody St. Scholastica's Day riot of the mid-13th century. More than sixty students were killed in violent brawls with local merchants and citizens.

¹⁷ Thelin, John.

Beyond the violence, the legacy was that Oxford as a university invoked its rights of protection from the Church and Crown that accompanied its royal charter—an essential buffer that protected the university from the intrusions of the surrounding civic authorities and residents. It helped establish higher education as a formal, enduring institution with both rights and responsibilities to the Crown and nation.

Legitimacy is crucial to Oxford, as well as all colleges and universities; without it, academic institutions contribute little of worth if they merely survive without being faithful to their charter and mission. Even “output” proxies such as degrees conferred, enrollment growth, or endowment reveal little about the enduring vitality of an academic institution. The ultimate litmus is that high quality and appropriate focus must characterize essential activities of education, research, and service.

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