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What is Continuity?

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What Is Continuity?

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This article examines and expands the concept of continuity and asserts that family businesses and consultants retain a unidimensional definition of continuity in which success is attained only when family and business remain together. It suggests that this thinking is stale—muddied by an idealized version of the family business—and argues that continuity should be defined as the preservation of one or more essential, unique core elements that in turn implicate a set of tradeoffs or elements that may be sacrificed. Continuity approached in this way, where the pursuit of any dimension will have both gains and losses, will inevitably enrich both the client and consultant.

Introduction

As family business practitioners, we all know the old and often-cited statistics: Only a third of family firms continue beyond the first generation, fewer still make it to the third, and so on (Beckhard & Dyer, 1983). Our work is largely to help these businesses beat the odds. Continuity is our goal, even as we confront the high risk of failure that the statistics suggest.

In light of these widely believed failure rates, it seems sensible to examine the concept of continuity more fully, to understand what we mean by it, and what interpretations our definitions contain. To take on the work of continuity development means to explicate precisely what is being continued or preserved, and, in the preservation process, what will be traded off or sacrificed. It is not simply hard work that perpetuates a family business. Beyond the hard work, we in the family business world have learned to think systemically and multidimensionally about family business as an intersecting set of complex subsystems (Tagiuri & Davis, 1996). Yet when it comes to the continuity of the family business, we seem to regress to a unidimensional, idealistic stance. The happily-ever-after normative story is still the one in which family and business, as a singular unit, join in economic success for generations. Although either family or business may be in the foreground in the "family first" or "business first" language (Ward, 1987), the underlying notion is that family *and* business must remain together for continuity to occur. This notion envelops our profession, despite our protests that such an idea is fantasy in the face of the reality of our work. In practice, what we may see is that to preserve the business, the family must be sacrificed, or vice versa. If we understood continuity in its fullness, rather than family and business together or family and business ended, we would make room for more choices for our clients. Our thinking appears static on the meaning of continuity. But what has inhibited us?

Ken Kaye (1996), in his insightful piece, "When the Family Business is a Sickness," takes a step toward unmasking the rarely discussed idealization of the family business. He highlights for us that it is plainly unhealthy for some families to be in business together. In those cases where businesses continue despite the harm they cause their families, we might say that the family is sacrificed for the business to go on. If these are our clients, and continuity, as traditionally defined, is the outcome, do we claim success?

In this idealization of family and business, we are likely to focus on the positive, the optimistic, and the hopeful side of continuity. Yet our experience suggests that for all our optimism in supporting the continuation of the family business, the downside warrants discussion as well. When clients wish to continue their businesses, they need help untying what is essential for the business's preservation from what can be given up, sacrificed, or traded off. Only when the implications of a choice to continue are examined, can the choice be an informed one. Yet even knowing this, when we enter a client engagement with the objective of supporting choice rather than a prescribed family succession outcome, I can admit to feeling some sense of failure if, through my firm's work, a client is not able to come to a viable family-succession alternative. The fantasy of family businesses as the place where society can be repaired is hard to shake. This wish to preserve the best of family and business, with the best intentions, muddies our efforts.

My firm, the Center for Applied Research, consults to businesses of all types: closely and widely held, family and nonfamily owned, public sector, and independent sector, as well as trade associations and universities. Continuity development, including leadership succession, strategy and governance, has been central to much of our work across all sectors.

This paper, which is based on our experience over the last 20 years with hundreds of companies on issues of continuity, has two objectives:

- To inquire into the meaning of continuity. Here we wonder, in reflective practice mode (Schön, 1993), whether the rhetoric of continuity itself actually undermines the process of continuity development. Does our language about family business succession, which is so often stated in the negative (numbers that fail to continue . . .), set ourselves and our clients in heroic, rather than human, terms? We begin by unraveling some of the underlying dimensions of continuity, with the intention of opening additional possibilities for clients to make informed, free, and committed choices about their futures (Argyris, 1970). Rather than limit our notion of "positive outcome" to those cases in which family and business remain together, we hope to expand how we and our clients think about and experience success.
- To illustrate, using four cases, how continuity has actually been approached, highlighting some of these different dimensions and their implications for what is preserved versus sacrificed. Of these four cases, two are late-stage entrepreneurial firms engaged in their own continuity processes and two are family businesses. We have attempted to illuminate the potential differences in the ways continuity is considered in firms where founders are still deeply connected to their enterprise but who do not carry the intention (with all that such an intention brings) of retaining the business for their children. We have selected family businesses with different goals from the nonfamily businesses to provoke thinking about what and who gains when a family wishes to retain the business as an end in itself, rather than a means to realize other goals. Finally, the cases are intended to raise this question: How can we better understand what essential core leaders wish to preserve, and what they, willingly or unwillingly, consciously or unconsciously, must sacrifice to preserve it?

What is continuity? The definition would seem self-evident, a business continues beyond its founders. In nonfamily firms further definition is unnecessary. We might talk of adapting business strategy or changing leadership as topics in their own right, affecting the near term, but we rarely are asked to consider the long-term (10 to 20 year) lives of our nonfamily business clients. Is it only in family firms that notions of longer-term continuity have relevance? In family firms we typically think of leadership and ownership succession, both separately and together, as constituting the culmination of continuity across generations. (Interestingly, continuity of mission/strategy is considered the least necessary condition of business continuity [Poza, 1989, for example]. Slywotsky [1994] suggests that if companies do not reinvent themselves, they are unlikely to continue.) As we contemplate the vast numbers of family firms that reportedly fail to continue past their first generation, what can we determine, has made them fail?

If the business continues in its strategy under different nonfamily ownership—serving customers, employing workers, and contributing to communities—has it failed? If the assets of the business are more interesting or could be more productive to new owners than to the family, is that failure? If shareholders choose to sell their business and retain their more liquid holdings, collectively deploying them elsewhere, have they failed? By comparison, we would likely laugh at the idea of Microsoft failing to continue at Bill Gates's departure or demise, though the company would have different leadership, different ownership, and potentially a different value proposition. (See, for example, July 22, 1998, *Wall Street Journal* quote from Bob Herbold, COO, Microsoft: "If you're constantly changing, how can people be sure it's still you?" in an ad referencing the company's identity and branding strategy.) In the case of more concentrated ownership, would we say that Campbell's Soup has failed to continue if the Dorrance family were to sell its substantial stake? In Philadelphia, the Strawbridge and Clothier department store chain, founded in 1868 and in its fourth generation of family ownership and leadership (40% owned by the Strawbridge family, the remainder public), was sold in 1996 for $600 million to the May Department Stores Company. Yet we can still shop at stores called Strawbridges, which carry merchandise of the type carried by its family-owned predecessor. While Philadelphia mourned the loss of a local institution, "an economic and civic anchor" ("A Civic Anchor," 1997), shoppers still flock to the "Clover Days" sales that were started decades earlier by third-generation family member Stockton Strawbridge. In nonfamily firms we might say that strategy development is just another name for continuity planning. Why, then, with family businesses do we tie our hands?

In our practice we see that all businesses, over time, develop a set of attributes that come to define them, that comprise their essence—these attributes are the ones that eventually come to the fore in conversations about continuity. Business leaders, both family and nonfamily, think of them as attributes that *must be preserved* for the business to have meaning—*to continue*. These are not limited to such broad categories as ownership, leadership or, for family firms, family involvement. Rather, we can identify the following seven dimensions, among others, that are particularly useful in helping our clients unpack their continuity intentions. We can use them diagnostically to help assess for ourselves what we believe to be possible, as well as prescriptively, in guiding clients to their desired outcome. Thinking dimensionally promotes greater precision in coming to learn what leaders seek to preserve and how much such preservation is worth.

Each of the following is the unique focus of a continuity effort—even if all else were given up, at least one of these elements must remain for the enterprise's decision makers to affirm its continuity:

(1) Strategy—continuing the business's value proposition.
(2) Ownership and/or governance—*as a matter of status or as a social or psychological mooring*. This could include preserving the memory or legacy of the founder or another "great leader" in the business's history and his or her wishes (as interpreted by the living) about the future of the family or business.
(3) Family leadership of the business—only family members, and sometimes only certain family members, may be candidates for leadership anointment or appointment.
(4) Family cohesion sufficient to retain the business collectively; the business as vehicle for cohesion—"family before business."
(5) The business's culture—in this we refer to a set of values embodied by the leader or family and only *partially* institutionalized (and therefore subject to interpretation). In this dimension we include continuation of an approach to a particular set of stakeholders (treatment of employ-

ees, suppliers, customers, communities).

(6) Mission—why we do what we do, in a transcendent sense.

(7) Independence—the business *must* remain in the hands of descendants of the founder so that its owners and leaders can exercise independent, "good" judgment.

Each of these dimensions of continuity, separately, can become the focal work. Each, as foreground, has in the background, aspects of the business or family that may be sacrificed, both from the perspective of the inside decision makers and of the outside consultant. For example, if people blindly follow the founder's strategy because it fits their conception of what continuity is, in time they will likely sacrifice profitability (and ultimately, the business). Alternatively, if those charged with continuity take an adaptive stance to strategy in order to keep the business alive, they may trade off family ownership and control in order to invite needed outside capital. In one alternative the family business might be said to continue, in the other, it might not. What is gained and lost in either case is examined *only to the extent* such examination supports lessons learned for keeping family and business together. The following cases, from our practice, illustrate some of these dimensions of continuity.

Case One: Services Business Mission—We Will Change the World of Health Care

The Center began working with a large services business (which provided consulting and other services to the health care industry) in 1991. The three founders contacted us to help repair their working relationship. They could no longer work together effectively, and, we also discovered, their business strategy was incoherent. The business had grown significantly every year since its founding in 1982 and had offices throughout the United States. One of the founders, Matt, served as president; the others, Bill and Chet, ran each of the two largest offices. Matt owned the largest block of stock, Bill and Chet owned equal but lesser shares. When we began our work the three of them held 70% of the business. The other 30% was distributed among a group of 23 principals.

From the beginning, Matt clearly was unusually skilled in imagining the business's future, a view anchored in the conviction that it would be the largest company in its industry. By being the largest, Matt believed the company could transform the ways health care would be delivered. (The public debate about health care began after the founding of this firm.) He described it as "God's work." The difficulty the founders faced in working together was not a disagreement about direction. Matt was extraordinarily inspiring in communicating his dream of the company's intended place in the world. Their difficulty was in execution—turning the ideal into tangible activities, processes, and structures. He relied on his cofounders and others to make the business real; they relied on him for lifting their heads from the detail of the day to day to see the grand plan.

In 1994 Matt began to talk about not being able to realize the vision for the company. He and his fellow founders believed deeply in the work their firm did—among other services they were able to help hospitals take millions of dollars out of their operations costs. They worked with the premier medical centers in the country. Yet Matt felt stymied. He began to discuss with Bill and Chet the possibility of selling the company. "We can't implement our ideas fully unless we can deliver the IT (information technology) systems to support our reengineering efforts," Matt would say, "and if we don't move quickly, we will be overtaken." As the vehicle for *continuity of mission*, the founders of this firm embarked on selling their company.

In 1996 they sold the company to a publicly held systems integrator that agreed to retain almost all the company's employees, as well as Matt, Bill, and Chet to lead the new vertical line of business. They retained the original company name and combined it with the acquirer's. Corporate leadership would be provided by a CEO, Matt's boss, who headed up multiple lines of business and reported to a typical public company board. With targets set for revenue and income growth in collaboration with the CEO and based on stock performance requirements, the acquired company struggled to make it and ended its first year not far from its goal. The following year, Matt, going out on a very thin limb, promised the board that he would quadruple the size of his line of business to $5 billion in five years. He and his fellow founders and employees, as well as the hundreds added early that year, began the year creating their own momentum for marching forward with their dream to transform health care delivery. Had the original business effected continuity? We would say yes. However, what had been lost?

In his drive to realize the business's mission, Matt began to lose touch with his partners and the business they founded. His grand plans for growth had become untethered from the reality of how the business worked—what looked like good synergy between the original business and the acquirer's had not materialized as quickly as hoped. Rather than lose focus, and under pressure from his boss, Matt was determined to whip his team into shape. This whipping further deteriorated their strained relationships. Within one month, based on poor results relative to the plan for the first half of the year, Bill quit, as had some other top managers. Matt also laid off 15% of his workforce. So, to pursue their mission with convictions still intact and likely to stay that way, the founders of the original business are no longer together, significant growth has been elusive, and their independence has been lost. The three individually gained financially, through the sale of their company, but have sacrificed their relationships, which they see as irretrievable. Bill became a shadow of his former self—he felt like a terrible failure and believed he let himself and his colleagues down. He looked like a beaten man, certain that it was he whose inadequacy failed to fulfill the promise of their work. Matt's feelings were mixed: "I didn't put the time in to get an infrastructure in place, I pushed on people without sufficient resources, and I didn't admit that I didn't know what I was doing." Still, he immediately reaffirmed the goal, "We will transform health care."

With mission as the core to continue, the business survived. Its essence remained; however, it lost the complementary elements of imagination and execution contained by the three founders. Additionally, the "mom and apple pie" mission paradoxically blinded Matt into sacrificing his employees by requiring 24-hour-a-day, seven-day-a-week servitude. Clients gained—by their own admission their cost reduction efforts were effective—and Matt's firm supported them in developing strategies for providing a continuum of care, an important goal for hospitals and medical centers today as their own economic models change. On balance, this may be the case of what was gained was greater than what was lost. Certainly Matt believes so. By all accounts, continuity has been a mixed and complex experience.

Case Two: Software Company Considers its Options

The Center began working with a 15-year-old specialty software company in 1997. The company had spent three years trying to develop its next-generation product; after those three years its development team had experienced unprecedented turnover and had not even completed a first pass at product specs. We were the second consultants hired; the first quit believing the situation was hopeless. In our entry process we discovered that although product development was severely off track, the real dilemma facing the two founders was their search for a viable exit strategy for themselves. They had recently celebrated their 50th birthdays and had promised themselves and each other that they would not still be running the company when they turned 50. Brad and Charles had worked together most of their adult lives. Now, having built quite a successful business on a technology they believed in, they needed to entertain their options for both leadership and ownership succession. Alternatives under discussion included going public and bringing in outsiders to lead the company, acquiring a complementary technology and its leadership, being acquired or going public while developing insider leadership. Together Brad and Charles held 100% of the stock.

A potential acquirer began to court Brad and Charles about six months into our work together. This would-be buyer, which had gone public within the last year, was also a technology company of about twice the size, with a complementary set of products, customers, and sales channels. It looked like a perfect fit—both strategically for the company and financially for Brad and Charles. In this combined company, their software would have more visibility in the markets they hoped to enter with the new products they were currently developing. They would have access to additional capital to continue the kind of product development their current high-end customers wanted. They were creating stock options for their employees in contemplation of their exit; the options' value/liquidity would be handled through this sale. Brad and Charles began serious negotiations that lasted three months. On the day the deal was to be announced (within an hour of a scheduled meeting with market analysts and the business press), they walked away.

Why? The company's products would have long lives, their strategic intent would continue to be realized, and they would cash out but retain board seats and significant leadership. They walked away because they believed they would be betraying their employees. During the period of negotiations, they discovered a significant difference between their philosophy and that of the potential acquirer pertaining to their employees. The acquirer was a low-cost producer and treated employees as interchangeable parts, whereas Brad and Charles placed significant value on employee retention and loyalty as the engines of quality and productivity. Having weathered the storm of high turnover in development just months before, they could not allow their workforce to be "turned over." Their values clashed with their buyer's, and they backed out. The essence of continuity for them meant a *continuity of culture*. Although they had grown aware of their differences before the final day, they were pulled by the strategic and financial aspects of seeing their business continue. The tradeoffs for them were very apparent: significant financial gain and a clear path of exit versus the intangible benefit of doing "the right thing by their employees," as they described it. In the end, they were unable to let go of the part of themselves that they wanted to remain with their business—their values, even to gain on other very tangible fronts.

There was, however, another part to this story. Less altruistically, as Brad has come to privately reveal, he liked having the business depend on him. Though he complained about always having to be the last word, his senior management's need to come to him for "everything," and the culture he and Charles had created that instilled a fearfulness in senior executives about making mistakes or getting it wrong, coupled with an aura around Brad and Charles that they were omnipotent. This, however, had become a limitation on the development of the business. While they had for the moment sustained continuity of their values, they did so by also preserving their own centrality. Now Brad and Charles were coming to viscerally recognize the downside of their tight grip. To sustain the firm into the future they had to sacrifice themselves by letting it go to others' leadership.

Becoming increasingly and painfully aware of their own limitations and the risks they placed on their business, Brad and Charles began pursuing the development of real leadership inside, recruiting a president and reconstructing their board to include some highly experienced outsiders. All of this was in preparation for an IPO. According to Brad:

> We came this close to getting out, and most of the time it felt good. The money was really great. But I don't regret for a minute not going through with it—it would have been the wrong thing. For a while after, it just looked like I would be stuck here forever, and I know I really don't want that. Charles is already working less, and I'm starting to resent it. I also see that I just don't have it in me to patiently let Joe (VP of sales) or Judy (VP of customer support) make ridiculous mistakes in the name of "development."

> Plus, even when I do something different, nobody notices—it's like I'm not allowed to change. So I really feel ready to bring in someone who can start with a clean slate and run things better. We've got a great company here, and I bet it can grow faster without Charles and me. I know most of the guys who come in after a founder fail, quit, or get fired. I still think I've got to give it a try.

For this business to preserve the values embodied by its founders, the founders themselves must go.

Case Three: The Business Continues in Fact but not in Spirit

In 1987 the Center initiated a project with two brothers—Sam and George—who had succeeded their father in running a real estate development company. The precipitating event that provoked one of the brothers to call our firm was his sibling firing him. The fired brother, Sam, had forged his brother's name to a contract to purchase a large property. When George found out, he declared that his brother had violated an agreement they had about the need for two signatures for actions over a certain dollar threshold, and therefore he fired him. Sam asked for help in repairing the relationship with his brother and in getting his job back. George was reluctantly amenable to finding common ground with his brother, so we began our work.

We discovered that their father, Paul, had been a well-known character in the metropolitan area where they lived. He was the first to build a high-rise apartment with air conditioning, and he also built the first suburban strip mall in their community. He had amassed quite a portfolio of properties in his lifetime and theirs was a recognizable name as many of the properties carried it in their title. His sons each had other professions before they joined their father shortly before his death. When nearing death, the father asked George, the elder brother, to take care of Sam, who was described by George, their mother, and Sam, himself, as having had a serious bike accident when he was 11, that had left him "not quite right."

The brothers managed their real estate portfolio together, owning properties, collecting rents, seeking tenants, and so forth. They employed close to 90 people. George took on the conservator role, not wanting to risk what they had. It was Sam who was eager to live up to their father's name, taking risks on properties with big plans for them. It was one of these deals that caused his firing. He knew his brother would never go for the deal, but he was sure it would be what his father would have done. According to Sam, he had no choice but to sign his brother's name, committing both of them to millions of dollars for the purchase.

The brothers had come to deeply resent each other for that part of them not appreciated by the other; George's deliberate thoughtfulness was as exasperating to Sam as Sam's impetuousness was to George. However, they were bound together by their father's shadow and his words. In fact, when we began working with these brothers 12 years after their father's death, his office was as it had been on his last day at work, untouched and unused. Only the clock on a bookcase, which needed to be wound daily, reminded visitors they had not stepped back in time.

In interviewing employees, we discovered that the company was in a "biding time" state, basically stewarding the resources created by the father. There was no prospect of succession, either within or outside family, that had ever been discussed or seemed probable, though George and Sam were both in their 50s and had grown children. In a session on strategy with senior employees, one remarked that they seemed to be in a "death strategy," riding things out with no clear conclusion intended. Privately, employees said they often felt their energy drained at the end of the day. Why were they there? The only thing that kept life interesting was when Sam decided to "do something crazy" as they described it, but George always managed to rein him in.

In the end, George rehired Sam, and we helped them separate their portfolio so that Sam could begin to have some real responsibility. We worked with their attorney and Sam's therapist to untie the knot between the brothers—something they both wished for. Years later, however, each talks about work with a heaviness and anger that is palpable. Their father got his wish that his business continue, but at substantial cost to the two men charged with its preservation. Their relationship has never outgrown the character of Sam at age 12 and George at age 15.

Case Four: Fourth-Generation Family Business Commits to Family Ownership

In 1994, the Center began working with a large family business in consumer products. The business was enormously successful, benchmarked in its industry as a top performer on a number of fronts. It paid significant dividends to the nearly 30 family shareholders, only two of whom worked in the business, one as CEO. The dividends were sufficient to financially support most of the remaining family members who held no jobs of any kind. We were hired to help the board recommend to shareholders whether to retain or sell the business because the 60-year-old CEO, Larry, was contemplating retirement.

The inside board was constructed, representationally, by generation (members of the fifth generation who had entered the business in their twenties were eligible for board seats) and by branch. Typically, after much wrangling and heated positioning, the members of the board would vote with the CEO, who was not the largest individual shareholder and whose family branch held slightly more than a quarter of the shares.

A handful of the shareholders from across the branches were variously incapacitated, and their stock was voted by outsider trustees, whom family members universally treated with mistrust. This included the second-largest individual shareholder, whose trustees often became a "swing vote" for such important matters as the annual election of the board. The family had four branches; two of which chronically feuded with the other two. From time to time, one branch would change sides in the feuding.

Following almost a year of working with the board on the choices they might consider, including an outright sale and a partial public offering with continued family control, the board recommended unanimously that the family retain the business. They also agreed that outside directors should not be added to the board. They would not groom any candidates (family or nonfamily) to manage shareholder interests once the CEO, Larry, retired. (For 35 years he had been able to walk the political tightrope between the board's diverse interests and skills in such a way that he could quite effectively run the company.) They would also discontinue family meetings, having reached an ownership decision. This family business board considered *continuity of ownership* paramount, the rest, including business strategy and leadership succession, was irrelevant.

This case is interesting because it highlights the consequences of applying a narrow definition of continuity. Wishing to remain ignorant, the shareholders focused on an image of the family as custodians of a prestigious business, rather than on elements of the family and/or business that would require continuing vigilance. Their version of continuity illuminated issues they did not want to address, which they willingly left at Larry's doorstep. They overlooked the assumption that a declaration to continue alone is not sufficient to perpetuate their business. They were especially disabled because they avoided the significance of Larry's role. They had forgotten their early bargain that they would give him relative free rein as long as he took care of them. Now it was Larry's continued leadership that was problematic. His accepting their challenge to answer the call for continuity only compounded the problem—in effect he was being sacrificed, for ultimately his ideas would need shareholder ratification, but would necessarily contain plans for his own departure and the loss of his guiding hand.

In this case, three elements constituted the essence of what the shareholders sought to preserve:

(1) Dividends. The board shortsightedly be-

lieved that the business could continue on its own to generate appropriate returns to ownership. "What does cousin Larry do anyway?" one asked. They saw the business as a perpetual money machine, which it had been, not coincidentally, for most of Larry's tenure. To preserve this element presented a dilemma, for it required shareholders to develop an appreciation for the complexities of the CEO's job. This development, in turn, would put Larry into a very different and unwelcome relationship with his family, and they with each other. The unacknowledged irony for the shareholders was that by putting financial return in the foreground, they put the business at risk.

(2) Cohesion—membership in a family. Paradoxically, even though the family branches constantly feuded and individual members had vastly different views on just about everything (ranging from far right to far left political views), the business gave them something to talk about. It bound them in a way that nothing else could. Without it, *where* would they be? The situation created the following dilemma: Family cohesion provided by the business was an illusion that might disappear without it. This illusion—with its elaborate ritual of arguing and relenting—must be maintained for a board to be elected and other governing business decisions to be made. Minimal cohesion was all they sought; however, minimal cohesion was tested in a continuity-enabling process.

(3) Social standing. The business's notoriety, not only in the community where all shareholders lived but also anywhere they might travel, provided a social status and an identity to family members. Being associated with this company made the family proud. It represented good things—in what and how it sells. Without the business, *who* would they be?

These three elements of continuity combined are the crucible for a no-win situation. Seeking minimal cohesion, the shareholders were unwilling or unable to wrestle through their requirement for unending dividends (by exhibiting, for example, some interest in developing a deeper, long-lasting understanding of the business), jeopardizing the business through which they derived their personae. This web had Larry at the center, as both the spider and the fly.

Why would shareholders do this? They lived their lives in a protected enclave in which they were shielded from the exigencies of the outside world. They saw themselves as special. In this view, what was gained in retaining this business was not continuity itself but the image of continuity. Larry was a willing actor as well—his talent had been fully applied in running the business, and he was satisfied with his accomplishments. Dealing with the contentiousness of the family was a price he was willing to pay.

It was left to Larry to determine the future of the business unilaterally, a significant technical challenge but also a significant burden. In correspondence with Larry, we summarized his dilemma as stark, untenable either/or choices:

> For him to save the essence of the business (by modifying its ownership and its leadership in a substantial way) he must lose the family (by altering/damaging the delicate balance he had created); or, to keep the family (in whole or in part), he must lose the essence of the business; or worst, by losing the essence of the business, the family would be lost anyway since it was the business ideal that provided the only glue for individuals who might otherwise have had little in common.

Here, both gain and sacrifice were clear. Larry was embarking on a major strategy review that may provide another lens for dealing with the ownership situation. Should the business require a significant strategic shift, that would likely be both a jolt to shareholders and the impetus for studying, again, potential outside capital investment. The likely outcome would be a continuation of the business with less or no family involvement. This, in our opinion, would be an appropriate choice, a

Table 1. Four Cases: Dimensions of Continuity

Case	*Essence: What is Preserved?*	*What is Sacrificed?*
Case 1: Health Care Consulting Firm	Mission: to transform health care	• Founders' relationship and the complementary skills it embodied • Employees—"whip them into a faster pace." • Independence
Case 2 : Software Development Company	Culture and Values: Approach to employees	In not selling: • Founders trade off short-term financial gain and their own exit • Also trade off development of inside leadership beyond founders In planning for IPO and new president: • Founders sacrifice the satisfaction they derive from their centrality
Case 3: Real Estate Company	Memory/legacy of the founder	• Sibling relationship that remains stuck in time. • Business remains stuck in time
Case 4: Consumer Products Company	Ownership and its benefits in perpetuity: image	• The CEO

"good" choice, though one that the shareholders may or may not willingly select.

Dimensions of Continuity

Table 1 summarizes the dimensions of continuity illustrated by these four cases. In each case, what decision makers desire to preserve implicates attributes they will give up. The work of continuity, then, is to move back and forth between possible gains and losses, so that these facets can be metabolized by those choosing a future for their business.

Conclusion

Built to Last (Collins & Porras, 1994) follows 36 companies, all founded before 1950. The authors worked from the inside out, finding companies that not only had lasted but had indelibly changed our world. They then revealed what defined the elements in these companies that the authors considered visionary. Of those 36 companies, what separated the lasting visionary companies from the rest was a dedication to a core ideology that transcended any particular leader, any particular strategy, or any particular set of owners. These were the companies that the authors defined as having made a lasting, positive difference in the world. Continuity was not their objective, but it was the result.

When we, as consultants or advisors to family businesses, are asked to help a family business with succession, strategy, or governance—all elements of the continuity process—what objectives do these clients have? What objectives do we have and how are they shaded by the normative fantasy of continuity as family and business entwined forever, enduringly and productively satisfying familial relationships as well as economic need? In explicitly acknowledging the paradox of continuity and exit, some of the late-stage entrepreneurs in the cases described were able to entertain sale as a viable *continuity* option. Their objectives transcended leadership and ownership because their choices were not bound by narrow definitions of succession.

In almost 20 years of family business consulting, our entering clients most often have felt that selling the firm was the "failure default." They typically begin their continuity work believing *they* would be failures if they could not overcome the sometimes Mount Olympus–sized issues contained by their business's strategy (Can it viably compete as an independent company?), its ownership and governance (What equity capital is needed by this business and can the family shareholders provide it? What examples exist of governing bodies that truly help steer their companies well, over long periods of time?), and, not least, the family (What constitutes an acceptable level of cohesion among family members such that they can own and/or run their business effectively?). In what ways do we collude with or even foster the fantasy that, with help, more and more family businesses can be among the "successes," and ultimately improve the statistics?

In retrospect, my colleagues and I have been privileged to witness the miraculous and inspired among our clients: individuals who rally beyond their perceived capacity for compassion, collaboration, and cohesion to devise and act on plans that, through continued family business leadership or ownership, contribute not only to their own well-being but also to their communities'. Our experience suggests that what they have in common with the visionary companies of *Built to Last* is a goal bigger than themselves. What they wished to perpetuate transcended any individual or generation. They recognized that to retain the essence of their enterprise they would likely have to give up something of some importance.

Approaching continuity as a multidimensional phenomenon, in which the pursuit of any dimension has attendant gains and losses, moves us from a normative stance to an objective one, from which we and our clients can enter a consultation with our eyes open. Keeping or selling the business can both be viable options for perpetuating that which is essential.

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