

The Unreasonable Family: Purpose, Productive Error and Ownership Across Generations

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Synopsis

Family businesses are commonly discussed through the language of succession, governance, ownership and longevity. These subjects matter, but they can conceal a more fundamental problem. A family firm must preserve enough of itself to remain recognisable across generations while changing enough to remain economically and socially useful.

This paper develops that problem through ideas drawn from polymathy, productive error, George Bernard Shaw's "unreasonable man", Bertrand Russell's distinction between knowledge and wisdom, and research into long-lived family enterprises.

Its central argument is that family-business continuity should not be understood as the preservation of an unchanged organisation. Different elements of a family enterprise can survive for different periods. Family ownership may end while the operating business continues. The legal company may disappear while the brand remains. A traditional craft may survive inside a new corporate structure. The founding family may retain managerial influence after its financial ownership has become small. Conversely, a family may retain all the shares while losing the competence, reputation or sense of purpose that once gave the business value.

The hypothetical example of a village store is used throughout. The store may begin by selling groceries across a counter. Yet its deeper purpose may concern making everyday life in the village easier. Its distinctive competence may lie in trusted local knowledge, accessibility and personal service. Its business model may consist of selling a selected combination of goods and services at margins sufficient to sustain the operation.

These three elements—purpose, competence and business model—must be distinguished. Purpose without competence becomes aspiration. Competence without a viable business model becomes an expensive hobby. A business model without purpose may continue to generate money while destroying the qualities that made the family enterprise worth preserving.

Long-lived Japanese businesses illustrate different forms of continuity. Kongō Gumi traces its origins to 578 and remained family-owned until financial difficulties ended its independence in 2006. Its temple-building capability nevertheless continued inside a larger construction group. Hōshi Ryokan, established in 718, has been operated through forty-six generations of descendants or adopted successors. Nishiyama Onsen Keiunkan has operated as an inn since

705, although a corporate restructuring in 2017 demonstrates that operational continuity need not imply continuity of the same legal company. Kikkoman developed from family soy-sauce businesses whose roots extend into the seventeenth century, combined eight family companies in 1917, and later became a publicly listed global corporation (Bennedsen, Stabile and Henry, 2023; Mehrotra et al., 2013; Kikkoman Corporation, n.d.).

The British brewer Worthington provides a contrasting example. It became a public company in 1889 to raise capital for expansion. The Worthington family ceased managing it after 1894. The company merged with Bass in 1927, continued as a separate brewing concern for several decades and ceased separate brewing in 1967. Yet the Worthington brand remained in the beer market. Competition mattered, but so did capital requirements, succession, public ownership and corporate consolidation.

These cases demonstrate that “survival” is not one thing.

A family firm may preserve:

- the family’s ownership;
- the family’s managerial control;
- the legal company;
- the operating business;
- the brand;
- a specialised craft or body of knowledge;
- its relationship with a community;
- or its underlying purpose.

These elements can separate.

The paper also considers what changes when shares are sold. Selling newly issued shares can bring capital into a business. Subsequent trading of existing shares generally transfers money between investors rather than into the company itself. Public trading supplies liquidity and external discipline, but it can also separate economic ownership from managerial influence, introduce new time horizons and turn a family inheritance into a transferable financial claim.

The argument advanced here is that enduring family firms require disciplined flexibility. They need enough Shawian unreasonableness to question inherited assumptions, enough polymathic breadth to integrate different forms of knowledge, enough tolerance of error to learn through experiment, and enough Russellian wisdom to distinguish useful adaptation from fashionable destruction.

Continuity without adaptation produces a museum.

Adaptation without continuity produces an organisation with no inheritance.

The enduring family firm must become neither.

Introduction

A family business contains at least three overlapping systems.

It is a family.

It is an ownership structure.

And it is an operating business.

These systems overlap without becoming identical. The three-circle model of family enterprise distinguishes family membership, ownership and business involvement as separate but interacting positions (Gersick et al., 1997).

A founder may simultaneously be a parent, managing director and controlling shareholder.

A daughter may belong to the family and expect eventually to inherit shares while having no operational role.

A son may work in the business without yet owning any part of it.

A sibling may own a large shareholding while knowing little about the company's daily activities.

A professional manager may carry considerable responsibility while owning no shares and belonging to no branch of the family.

Each person occupies a different position. Each position creates different information, loyalties and expectations.

The parent may want harmony.

The manager may want competence.

The owner may want return and security.

The founder may want continuity.

The successor may want room to create.

These interests sometimes coincide. Frequently, they do not.

Family-business questions therefore extend beyond conventional management. A disagreement about the future of a shop, hotel, factory or farm may contain questions about parental approval, sibling status, inheritance, grief, loyalty and belonging.

A decision to close an unprofitable department may be experienced as a rejection of the grandparent who established it.

A proposal to introduce digital ordering may sound to the founder like criticism of a lifetime's work.

A disagreement about dividends may conceal different family circumstances rather than different theories of corporate finance.

This complexity produces vulnerability.

It can also produce unusual intelligence.

A family business extending across generations may contain several kinds of knowledge at once. Older members may understand customers, suppliers and tacit craft. Younger members may understand technologies, social habits and forms of communication unavailable when the firm began. Long-serving employees may understand operations more deeply than either generation. Spouses may bring ideas from other industries. Accountants, designers, lawyers, technicians and independent directors may contribute still further perspectives.

The family business can therefore become a polymathic organisation.

Its difficulty lies in connecting these forms of knowledge without confusing family membership with expertise or professional expertise with complete understanding.

The Village Store

Consider a village store.

The founder may have begun by selling bread, milk, newspapers, tinned food, vegetables and household goods. Customers entered the shop, chose their products and paid at the counter.

Over time, the family may come to regard this arrangement as the business itself.

The shelves are the business.

The counter is the business.

The stock range is the business.

The opening hours are the business.

Yet these things may represent only the historical form through which the business once served its purpose.

The deeper purpose might be described as:

making everyday life in the village easier.

This distinction changes strategic thinking.

If the family defines the enterprise as “a grocery shop that sells these products from these premises”, then a supermarket, online delivery service or changing village population threatens the organisation’s identity.

If the family defines it as “a trusted local business that solves everyday problems for the village”, a wider field becomes visible.

The store might still sell groceries.

It might also deliver to elderly residents.

It might prepare meals.

It might offer parcel collection.

It might sell products from local farms and kitchens.

It might supply holiday cottages.

It might provide coffee and somewhere for isolated residents to meet.

It might take orders online.

It might create hampers for former villagers.

It might become a small hub through which several local services are coordinated.

Some of these ideas will work.

Others will fail.

The important distinction concerns what the family believes must remain unchanged.

The shelves may change.

The purpose may remain.

Purpose, Competence and Business Model

Purpose alone, however, offers insufficient strategic guidance.

A company that defines its purpose too broadly can use it to justify almost any activity.

A village shop that exists to “serve the community” might decide to operate a café, taxi service, care agency, post office, events company, accommodation business and delivery network.

All these activities may fit the purpose emotionally.

They may fit together poorly as a business.

Three elements therefore require separation.

Purpose

Purpose explains why the enterprise deserves to exist.

For the village store:

To make everyday life in the village easier and maintain access to trusted local service.

Distinctive competence

Competence explains what the business can do unusually well.

For the store, this may include:

- detailed knowledge of local customers;
- personal trust;
- proximity;
- flexible service;
- relationships with local suppliers;
- and the ability to respond to needs that large retailers overlook.

Business model

The business model explains how the organisation converts its competence into sufficient income.

It identifies:

- who pays;
- what they buy;
- the margin earned;
- the cost of serving them;
- and how much volume the business requires.

The three must support one another.

Purpose without competence becomes a statement of good intentions.

Competence without income becomes unsustainable.

Income without purpose may preserve the legal enterprise while eroding its character and reputation.

A wise family business asks all three questions:

Why do we exist?

What can we do especially well?

How will that activity produce enough money to continue?

What Exactly Has Survived?

Longevity is often discussed as though a business either survives or disappears.

The historical reality is more complicated.

At least seven distinct forms of continuity can be identified.

Family continuity

Does the founding family remain involved?

Ownership continuity

Does the family still own a significant economic interest?

Control continuity

Can the family still appoint managers, influence strategy or shape the organisation's purpose?

Legal continuity

Does the same incorporated company or partnership continue to exist?

Operating continuity

Does the underlying activity continue?

Brand or craft continuity

Does the name, reputation, recipe, technique or specialist knowledge continue?

Purpose continuity

Does the organisation continue to serve broadly the same human or social need?

These layers do not necessarily survive together.

A business can remain family-owned while losing its original purpose.

A family can retain managerial influence after its shareholding has become small.

A brand can survive after its original factory closes.

A craft can continue inside a larger corporate group after the family company fails.

A legal entity can survive while becoming an empty shell bearing little resemblance to the founder's enterprise.

The question "Did it survive?" must therefore be followed by:

Which part?

This clarification is essential to understanding both Japanese longevity and Worthington's history.

The Family Business as a Polymathic Organisation

Polymathy usually describes an individual who develops meaningful capability across more than one field and connects those fields productively.

The concept can also be applied to organisations.

A family business may hold several kinds of intelligence:

- commercial;
- technical;
- financial;
- social;
- psychological;
- historical;
- local;
- digital;
- and relational.

The founder may understand buying.

A daughter may understand communications.

A son-in-law may understand logistics.

A long-serving employee may understand customer behaviour.

An accountant may understand cash.

A designer may understand experience.

A young employee may notice a cultural change that the family has missed.

No individual possesses the whole.

The polymathic organisation becomes capable of moving knowledge across internal boundaries.

An engineer may see an efficiency problem.

An accountant may see a margin problem.

A psychologist may see a conflict of roles.

A family therapist may see a system preserving an apparently dysfunctional equilibrium.

A local customer may see the simple inconvenience that everyone inside the organisation has ceased to notice.

Each description may be correct.

The integrative question asks whether they describe different levels of the same problem.

The family business therefore resembles an orchestra.

Each specialist needs depth.

Someone must also hear the composition.

The conductor's role should not be confused with superior ability to play every instrument. It concerns integration.

This provides a useful definition of family-business leadership:

The leader need not possess every form of expertise, but must be able to recognise which expertise matters, bring it into conversation and judge how the parts affect the whole.

Japan and the Adaptable Meaning of Family

Japanese family-business history complicates the idea that succession must consist of biological inheritance from parent to child.

Historically, Japanese business families sometimes adopted an adult heir. An adopted successor could enter the family, marry a daughter and assume responsibility for the continuing household and enterprise.

The institution being preserved was not simply a genetic line. It was the continuing house, lineage and responsibility associated with it.

Research by Mehrotra, Morck, Shim and Wiwattanakantang found that adopted heirs in their sample of Japanese listed family firms performed better than biological heirs and at levels approaching those of founder-managed companies (Mehrotra et al., 2013).

This produces a striking principle.

Some Japanese families preserved the family enterprise by remaining flexible about who could become family.

The more rigid principle would say:

The eldest biological son must inherit because that is tradition.

The more adaptive principle would say:

The responsibility is to continue the house and business competently; therefore, the method of succession may itself need to change.

The second principle appears less traditional.

It may preserve the tradition more effectively.

Kongō Gumi: Craft Outlives Family Independence

Kongō Gumi is traditionally dated to 578, when the Kongō family became associated with the construction of Buddhist temples.

The firm remained family-owned for approximately fourteen centuries. It accumulated specialist knowledge concerning temple and shrine construction, repair, woodworking and the organisation of traditional craftspeople.

Yet age did not confer immunity from financial failure.

In 2006, excessive debt and difficult trading conditions led the company into liquidation. Its operations became part of the Takamatsu Construction Group. Kongō Gumi therefore ceased to be an independent family-owned enterprise while its name and specialised temple-building activities continued within another corporate structure (Bennedsen, Stabile and Henry, 2023).

What survived?

The family's independent ownership did not.

The old legal and financial structure did not.

The specialist operation did.

The craft did.

The name did.

Much of the cultural purpose did.

Kongō Gumi therefore illustrates why longevity must be analysed by layers.

The lesson is not simply:

Do the same thing for 1,400 years.

The deeper lesson is that knowledge and identity can sometimes outlive the ownership structure that once contained them.

It also supplies a warning.

A company that has survived forty generations can still make decisions that destroy its independence.

History provides experience.

It provides no permanent exemption from risk.

Nishiyama Onsen Keiunkan: Operational Continuity and Corporate Discontinuity

Nishiyama Onsen Keiunkan traces its history to 705. Its official history states that Fujiwara Mahito founded the inn during the Keiun era and that the hot spring has supported the operation for more than thirteen centuries (Nishiyama Onsen Keiunkan, n.d.).

Its extraordinary operational continuity should nevertheless be distinguished from continuity of precisely the same company and ownership arrangement.

In 2017, Yushima, the company that had managed the inn, created a new company and transferred the hotel operation to it. The previous company was subsequently placed into liquidation. The inn itself continued trading (Baseel, 2019).

The point is not to diminish Keiunkan's remarkable history.

It is to identify what continued.

The inn continued receiving guests.

The place continued.

The spring continued.

The hospitality tradition continued.

The same legal company did not.

Operational continuity outlived corporate continuity.

This is directly relevant to the village store.

Suppose the store's original partnership becomes a limited company. Later, the company sells the operation to a community trust while retaining the premises. The shop might continue in the same building, under the same name, serving the same village.

Has it survived?

Operationally, yes.

As the same family-owned legal entity, no.

The answer depends upon which layer is being examined.

Hōshi Ryokan: Succession as Stewardship

Hōshi Ryokan was established in 718 and has passed through forty-six generations of descendants or adopted successors. Its continuity has depended upon a strong conception of stewardship: each generation receives the inn temporarily and carries responsibility for passing it onward (Bennedsen et al., 2023).

This does not mean every custom has remained unchanged.

Hospitality, architecture, travel, technology, food preparation, sanitation and customer expectations have all altered.

The enduring element lies at a deeper level:

- care of the hot spring;
- preservation of the family name;
- hospitality;
- and responsibility towards future generations.

Hōshi illustrates a distinction between inheritance and possession.

An owner who sees the business as personal property may ask:

What can I take from it?

A steward asks:

In what condition must I hand it onward?

Stewardship can encourage long-term investment and restraint.

It can also become oppressive if the next generation is treated merely as a vessel for ancestral expectations.

The enduring family business therefore needs stewardship without captivity.

The successor must receive both an inheritance and sufficient freedom to respond to a different world.

Kikkoman: Family Legacy Inside a Public Corporation

Kikkoman provides a different form of longevity.

Its history developed from soy-sauce businesses associated with several families in Noda. In 1917, eight family companies combined to establish Noda Shoyu Co., the forerunner of Kikkoman Corporation (Kikkoman Corporation, n.d.).

The organisation later became publicly listed and expanded internationally. It preserved a long product tradition while developing new factories, distribution systems, marketing methods and international applications for soy sauce. Kikkoman remains listed on the Tokyo Stock Exchange.

Kikkoman therefore challenges a simple opposition between family enterprise and public corporation.

It possesses:

- a deep family-business history;
- a modern public shareholding structure;
- professional management;
- international operations;
- and an enduring product and brand identity.

Public listing did not require the company to forget where it came from.

Nor did historical identity prevent international adaptation.

The more useful question is not:

Is Kikkoman a family business or a public company?

It is:

Which forms of family legacy and influence remain, and how do they interact with public ownership, professional management and market accountability?

Research into listed Japanese firms shows that founding families can retain managerial influence even after their ownership percentages become comparatively small. Family

reputation, networks, talent and leadership roles can sometimes preserve control beyond what a simple shareholding percentage would suggest (Bennedsen et al., 2019).

This distinction will become important when considering shares.

Ownership and influence frequently overlap.

They are not the same thing.

Worthington: Competition, Capital and the Fragmentation of Survival

Worthington offers a contrasting British history.

William Worthington established his brewing business in Burton upon Trent during the eighteenth century. The company developed into one of Burton's major brewers and competed with businesses including Bass and Allsopp.

By the late nineteenth century, brewing had become increasingly capital-intensive. Brewers acquired public houses partly to secure outlets through which their beer could be sold. Worthington began acquiring pubs and became a registered public company in January 1889.

This transition gave the firm access to capital beyond the wealth of the founding family.

It also began to change the relationship between name, ownership and control.

When William Henry Worthington died in 1894, he left no direct heir. He was the fourth and final generation of the Worthington family to manage the firm. William Posnette Manners subsequently accumulated a controlling interest, and members of the Manners family became influential.

In 1927, Worthington merged with Bass, although Worthington continued to operate separately for several decades. Brewing under the separate Worthington concern ceased in 1967 (Gourvish and Wilson, 1994).

Worthington did not simply "get out of beer".

Several transitions occurred:

- the firm became public;
- the founding family left management;
- ownership moved;
- control passed to another family;
- the company merged with a competitor;
- the separate brewing operation eventually ended;

- and the Worthington name continued as a beer brand.

Competition contributed to the pressures.

So did the need for capital.

So did the absence of a direct managing heir.

So did consolidation in the brewing industry.

So did the changing economics of distribution and tied public houses.

What survived?

The Worthington family's involvement did not.

The independent family firm did not.

The separate brewery did not.

The brand did.

The product category did.

Elements of reputation and heritage did.

Worthington demonstrates the gradual fragmentation of the phrase "family business".

The name can outlive the family.

The brand can outlive the company.

The product can outlive the brewery.

The Village Store Meets the Supermarket

Return to the village store.

A supermarket opens ten miles away and begins home delivery.

The founder believes the shop cannot compete on price.

His daughter proposes reducing the range of standard groceries and expanding:

- prepared food;
- local produce;
- delivery;
- parcel collection;
- holiday-cottage supplies;

- and products unavailable from the supermarket.

The founder responds:

We are a grocery shop.

The daughter replies:

We serve the village.

Both statements contain truth.

Only one creates strategic room.

The founder's definition identifies the inherited form.

The daughter's definition identifies the purpose.

Yet the daughter's argument remains incomplete unless she can also identify a competence and a viable business model.

The store may possess the trust required to supply elderly residents.

It may lack the logistics necessary to run delivery profitably.

It may understand local products.

It may lack enough customers to sustain a large fresh-food range.

Purpose opens the question.

Evidence must still answer it.

Shaw's Unreasonable Successor

George Bernard Shaw's "unreasonable man" provides a useful way of thinking about succession.

The reasonable person adapts to the existing world.

The unreasonable person attempts to alter it.

Shaw provocatively concluded that progress depends upon the unreasonable person (Shaw, 1903).

Every established family business eventually needs an unreasonable successor.

This does not mean a reckless successor.

It means someone willing to ask which inherited assumptions no longer deserve obedience.

The founder may say:

Our customers expect personal service.

The successor may reply:

That is why they should be able to order through WhatsApp rather than telephone only during working hours.

The founder hears technology replacing personal service.

The successor sees technology extending it.

The apparent conflict concerns values.

The real disagreement concerns methods.

In a non-family business, the proposal might be evaluated commercially.

In a family firm, it may be experienced emotionally.

Changing the process can sound like rejecting the parent who designed it.

The successor's task therefore includes translation.

The proposal must show how a new method may preserve an older purpose.

Russell's Necessary Counterweight

Shaw's unreasonable successor also needs Russell.

Not every challenge to tradition constitutes progress.

A successor can destroy a sound family business while congratulating themselves on being innovative.

Technology can become vanity.

Diversification can become distraction.

Growth can become debt.

A fashionable redesign can discard accumulated trust.

Russell distinguished knowledge from wisdom and described wisdom partly through a sense of proportion: the capacity to consider the important factors in a problem and give each its proper weight (Russell, 1954).

In family business, proportion requires consideration of:

- history;
- finance;

- customers;
- employees;
- family relationships;
- ownership;
- reputation;
- risk;
- competitive change;
- and the interests of future generations.

The wise family does not ask whether tradition or innovation should win.

It asks:

Which element belongs at which level of the system?

A value may deserve preservation.

A method may not.

A failing product may carry an important relationship.

A profitable activity may damage the family's reputation.

The whole must be considered.

From Family Wisdom to Family Governance

Wisdom cannot depend entirely upon the personality of a wise founder or successor.

It requires structures through which different conversations can occur.

A family firm benefits from separating at least four functions.

The family council

The family council considers matters such as:

- family expectations;
- education;
- succession;
- employment of relatives;
- inheritance;

- values;
- and the relationship between family wealth and the operating company.

Its purpose is not to run daily operations.

It gives the family a place to discuss what the business means to them.

The owners' forum

Owners consider:

- capital;
- dividends;
- reinvestment;
- risk;
- voting rights;
- liquidity;
- and the conditions under which shares may be transferred.

Not every family member will necessarily be an owner.

Not every owner will necessarily work in the company.

The company board

The board considers:

- strategy;
- executive performance;
- major investment;
- risk;
- governance;
- and long-term organisational capability.

Its responsibility is to the company rather than to the emotional comfort of individual relatives.

Operational management

Managers run the business.

They require clear authority.

A professional manager cannot be held accountable if family members continually override decisions through informal conversations.

Independent advisers and directors

Outsiders can contribute expertise and distance.

A family system can become highly coherent while remaining wrong. Independent participants introduce knowledge that has not been shaped by family history.

Governance therefore provides containers for different kinds of intelligence.

The family conversation belongs somewhere.

The commercial decision belongs somewhere.

The ownership decision belongs somewhere.

Confusion begins when all three happen simultaneously at the kitchen table.

The Productive Mistake

Family firms also need room for error.

This claim requires qualification.

Preventable operational errors should be reduced. Unsafe food handling, incorrect accounts, unreliable deliveries and unlawful employment practices are not made creative merely by calling them experiments.

A useful distinction can be made between three kinds of failure.

Preventable error

The business already knew, or reasonably should have known, how to avoid the failure.

Honest experiment

The outcome could not be known with confidence in advance, and the business tested the idea within sensible limits.

Productive discovery

The original experiment failed or produced an unexpected result, but the outcome revealed another opportunity.

Consider the village shop.

It introduces prepared-meal delivery for elderly residents.

The service can fail in three different ways.

If meals arrive late because nobody assigned responsibility for packing them, the failure is preventable.

If meals arrive reliably but too few residents buy them at the required price, the test may have been an honest experiment.

If the elderly market proves too small but holiday cottages begin ordering premium arrival hampers, the experiment may have discovered a different customer.

The original idea was wrong.

The learning may still be valuable.

Disciplined Experimentation

Productive error should therefore become a method rather than a romantic celebration of mistakes.

A small family firm can apply six steps.

State the hypothesis

What does the family believe will happen?

We believe twenty village households will order one prepared meal each week at £8.

Limit the exposure

How much money, time and reputation can safely be placed at risk?

Establish evidence in advance

What result would count as success?

What result would count as failure?

Record what happened

Memory easily changes after an event. Written evidence protects the business from retrospective storytelling.

Investigate the anomaly

Did anything unexpected occur?

Did another customer appear?

Did customers value a different part of the service?

Decide explicitly

Continue, alter, enlarge or stop.

This discipline allows the successor to be unreasonable without giving every idea unlimited money.

It allows the founder to be cautious without preventing all experimentation.

Peirce and Hypothesis

Charles Sanders Peirce distinguished hypothesis from deduction and induction. Hypothetical reasoning begins by proposing a possible explanation for something surprising (Peirce, 1878).

The hypothesis deserves investigation.

It does not deserve automatic belief.

This is particularly important in a family firm.

A family story may say:

Customers stopped coming because the new supermarket opened.

That explanation may be true.

Another possibility may be that the shop reduced its service, carried stale stock or opened at inconvenient times.

The presence of a plausible explanation should not end inquiry.

It should begin it.

The productive mistake follows a similar sequence:

error → surprise → question → hypothesis → experiment → judgment.

The mistake starts the process.

Evidence decides where it ends.

Koestler and the Collision of Business Models

Arthur Koestler used the term **bisociation** to describe creative acts in which two previously separate frames of reference are brought together (Koestler, 1964).

The village store may initially see itself through the frame of retail.

A cancelled village event leaves it with excessive local food stock.

Someone suggests selling the products as hampers to former residents.

Retail now meets gifting.

Local supply meets mail order.

Village identity meets a distant customer base.

The over-ordering remains a mistake.

Yet the mistake places two frames beside one another.

The creative act lies in noticing the possible relationship.

A polymathic family business increases the number of frames available:

- retail;
- hospitality;
- logistics;
- digital communication;
- community service;
- tourism;
- and local production.

More frames create more possible connections.

They also create more possible distractions.

Russellian judgment remains necessary.

Family Memory: Asset and Trap

Family firms possess unusually long memories.

This can become a substantial asset.

A family may remember:

- why a supplier became trusted;
- which customer relationship shaped the company;
- how an earlier recession was survived;
- which expansion nearly caused failure;
- and why a particular practice was introduced.

Much of this knowledge may never appear in accounts or manuals.

It represents tacit capital.

Yet memory can become mythology.

Statements such as these may acquire authority:

We tried delivery before.

People here never buy premium products.

Borrowing nearly destroyed Grandfather.

Outsiders cannot be trusted.

The historical event may be true.

The inherited conclusion may no longer be.

A delivery service that failed in 1987 tells us little about delivery ordered through a mobile phone in 2026 unless the reasons for failure remain the same.

The wise family preserves the event while reopening the interpretation.

It asks:

What exactly happened?

Which conditions remain?

Which have changed?

Historical memory should provide information.

It should not become imprisonment.

Socioemotional Wealth

Family businesses pursue more than financial return.

The concept of socioemotional wealth describes the non-financial value families derive from a business: identity, influence, continuity, reputation and a sense of belonging (Gómez-Mejía et al., 2007).

This helps explain decisions that appear financially irrational.

A family may reject an attractive sale because the business carries its name.

It may retain an unprofitable activity because an earlier generation founded it.

It may resist an outside investor because reduced control feels like a loss of family identity.

It may continue employing a relative whose contribution no longer justifies the role.

These decisions cannot be understood through money alone.

The business represents something.

Socioemotional wealth can support excellent behaviour.

When the family name appears above the village shop, reputation creates accountability.

The family may accept a lower short-term return to preserve customer trust.

It may invest through a recession because it thinks in generations.

It may care for employees in ways a temporary financial owner would not.

The same emotional attachment can preserve dysfunction.

The task is neither to remove emotion nor to allow it complete authority.

Emotion is part of the system.

Wisdom requires making it visible.

The Elderly Delivery Service

Suppose the village store's elderly delivery service loses £20,000 each year.

The founder says:

We have a duty to the village.

The accountant says:

The service is destroying the shop.

Both may be right.

The service may:

- support isolated residents;
- strengthen reputation;
- lead families to use the store when they visit;
- differentiate the shop from supermarkets;
- and preserve local relationships.

It may still be financially unsustainable.

The wise response does not dismiss either perspective.

It asks:

- Could customers pay a subscription?
- Could delivery days be consolidated?
- Could the parish council contribute?
- Could a charity support vulnerable residents?
- Could profitable holiday-cottage deliveries share the same route?
- Is the family consciously funding a social service?
- How much can the shop afford before the service threatens the whole enterprise?

This is Russell's sense of proportion applied commercially.

The spreadsheet may omit social value.

The family story may omit economic reality.

The whole requires both.

The Ownership Ladder

Selling shares is often discussed as one decisive transition.

In practice, family ownership can change through several stages.

Stage One: Founder ownership

One person or household owns and manages the business.

Stage Two: Sibling ownership

Shares pass to several children. Some work in the business; others do not.

Stage Three: Cousin ownership

Ownership spreads across branches of the family. Emotional connection and knowledge of the business become uneven.

Stage Four: Outside private investment

The family sells a minority interest to an employee, local investor, supplier, private-equity company or strategic partner.

Stage Five: Outside majority ownership

The family retains shares, management roles or the name but no longer controls the votes.

Stage Six: Public listing with family influence

Shares trade publicly, while the family retains substantial ownership, voting power, board positions, executive roles or informal authority.

Stage Seven: Widely held public ownership

The family's ownership and influence become small or disappear.

This is a continuum.

A company does not cease to contain family influence merely because some shares have been sold.

Nor does the retention of shares prove that the family still controls strategy.

What Changes When Shares Are Sold?

Selling shares changes more than the balance sheet.

It changes who possesses standing to ask questions.

It changes who receives profit.

It changes who can appoint directors.

It changes who can leave.

It changes the meaning of inheritance.

In a wholly owned village store, the family's wealth may be concentrated in one illiquid asset.

A child who inherits part of the company cannot necessarily sell without negotiation.

A child who inherits publicly traded shares may be able to convert them into cash.

Liquidity can reduce conflict because relatives are no longer compelled to remain economically tied to one another.

It can also reduce the pressure to resolve differences.

A dissatisfied owner can sell rather than participate in a difficult conversation.

Issuing Shares and Trading Shares

Two functions of the stock market should be distinguished.

The primary market

When a company issues new shares, the proceeds can provide capital to the company.

The money may finance:

- expansion;
- equipment;
- acquisitions;
- debt reduction;
- or working capital.

Worthington's conversion into a public company in 1889 belonged to this wider capital problem. Expansion through the acquisition of public houses required resources beyond those readily available from the family.

The secondary market

Once shares exist, investors may buy and sell them among themselves.

The buyer ordinarily pays the previous shareholder.

The company generally receives none of that transaction's proceeds.

The secondary market creates liquidity rather than fresh operating capital.

The United States Securities and Exchange Commission defines the secondary market as a market in which existing securities are traded between investors rather than purchased from the issuing company.

This distinction matters.

The company benefits indirectly from a liquid market because investors may be more willing to purchase shares that can later be sold.

Yet rising trading volume does not mean new money has entered the business.

Ownership, Voting and Influence

Economic ownership, voting control and managerial influence should also be distinguished.

A person may own twenty per cent of a company's economic value while possessing different voting rights.

A family may hold a small ownership stake while retaining:

- the chief executive position;
- board representation;
- reputation;
- relationships with banks;

- trusted employees;
- and influence over other shareholders.

Conversely, a family may own a large percentage while delegating management to professionals.

Research into publicly traded Japanese companies found that founding-family heirs sometimes retained senior managerial control despite holding little reported ownership. The study estimated that between ten and thirty per cent of listed Japanese firms were managed by founding-family heirs with small ownership stakes, depending upon the definition used (Bennedsen et al., 2019).

The question “How much does the family own?” therefore provides incomplete information.

One must also ask:

- Who possesses the votes?
- Who appoints the board?
- Who leads management?
- Whose reputation matters?
- Who controls essential relationships?
- Who can persuade other shareholders?

The Market Introduces Another Clock

A privately owned family firm may think in generations.

A listed company acquires additional clocks:

- daily share prices;
- quarterly results;
- annual reports;
- analyst expectations;
- institutional-investor reviews;
- and market comparisons.

These measures can introduce discipline.

They can also redirect attention.

The village-store family might accept two years of low profit while developing a new service because it intends to own the business for another generation.

A public executive may face pressure to explain the same investment to outside shareholders whose expectations differ.

The difference should not be exaggerated.

Public companies can invest for the long term.

Family companies can behave with extraordinary short-termism.

A family facing inheritance taxes, divorce, debt or disagreement may demand cash more urgently than an institutional investor.

The ownership structure does not determine the time horizon by itself.

It influences which pressures become visible.

Price Is Information, but Not Wisdom

A publicly traded share price contains information.

It reflects the buying and selling decisions of investors under current expectations.

It can expose loss of confidence that insiders prefer to ignore.

It can show that capital has alternatives.

Yet price remains a partial measure.

It cannot fully identify:

- tacit craft knowledge;
- community relationships;
- family meaning;
- employee trust;
- or the long-term consequences of closing a facility.

The market may notice financial deterioration before the family.

The family may recognise forms of value that the market cannot easily price.

Neither perspective deserves automatic supremacy.

The polymathic task is integration.

Family Control and Minority Shareholders

Public listing also creates moral and legal responsibilities.

A controlling family cannot treat the company simply as private property if other investors own shares.

The family may prefer:

- relatives in senior positions;
- low dividends;
- investments that preserve the family name;
- or transactions with other family companies.

Minority shareholders may reasonably ask whether these decisions benefit the company or chiefly benefit the family.

Family ownership can reduce one agency problem by aligning owners and managers.

It can create another if controlling relatives use the company to protect their own position at the expense of other owners.

There is no perfect ownership form.

Each arrangement solves some problems while creating others.

Worthington Reconsidered

Worthington's history now appears as more than a story of competition.

It demonstrates movement along the ownership ladder.

The business began as a family brewer.

It required more capital.

It became public.

The founding family's management ended.

Another family accumulated control.

The company combined with a rival.

The separate operation eventually ended.

The brand continued.

At no single moment did every layer disappear.

The business became less “Worthington” by degrees.

This makes Worthington particularly useful for family-business study.

It asks:

At what point does a family business stop being the family’s business?

When the family sells most of the shares?

When it loses voting control?

When no relative manages it?

When the legal company disappears?

When the original factory closes?

When the product ceases?

Or when the purpose and culture have gone?

There is no universal answer.

A family should decide what it is trying to preserve before circumstances make the decision for it.

AI and the Family Firm

Artificial intelligence adds another source of capability.

A village store can use AI to:

- analyse sales;
- compare product margins;
- model delivery routes;
- draft communications;
- identify patterns in customer reviews;
- forecast stock requirements;
- and explore alternative business models.

This can provide a small family business with analytical resources once available mainly to larger organisations.

It can also create pseudo-expertise.

An AI system may recommend eliminating an unprofitable delivery service without knowing that the service anchors the shop's reputation.

It may propose a new product range without understanding local seasonality.

It may produce a persuasive report based upon incomplete or incorrect data.

AI therefore resembles another specialist.

It can contribute to the orchestra.

It should not automatically conduct it.

Local knowledge, financial judgment, specialist verification and human responsibility remain necessary.

Intergenerational Polymathy

The family firm can be understood as intelligence distributed through time.

One generation learns one environment.

The next encounters another.

Each possesses information unavailable to the other.

The older generation may know:

- which promises built trust;
- where risk lies;
- what customers never say directly;
- and which capabilities took decades to develop.

The younger generation may know:

- how customer habits have changed;
- which technologies reduce friction;
- how new competitors communicate;
- and which inherited assumptions appear strange from outside.

Both can make characteristic mistakes.

The founder may mistake past success for permanent truth.

The successor may mistake novelty for improvement.

Intergenerational polymathy asks two questions.

To the older generation:

What did you learn that remains true?

To the younger generation:

What has changed enough that the old answer no longer works?

The family enterprise becomes a conversation between experience and possibility.

The Discipline of Being Wrong

The founder must be capable of saying:

My judgment was correct then. It may no longer be correct now.

The successor must be capable of saying:

My new idea sounded persuasive. The evidence shows that it is failing.

Both statements require strength.

Family status makes them difficult.

Parents are accustomed to knowing more than children.

Successors often feel pressure to prove themselves.

A mistake may therefore threaten identity rather than merely challenge a decision.

A healthy family-business culture separates:

I made a poor decision.

from:

I am an unworthy founder, parent or successor.

Once error becomes psychologically survivable, it becomes more useful commercially.

The aim is neither blame nor indulgence.

It is disciplined learning.

A Practical Framework for the Enduring Family Firm

The argument can be reduced to seven recurring questions.

What is our purpose?

What human need or relationship justifies the enterprise?

What is our distinctive competence?

What can we do unusually well that customers genuinely value?

What is our viable business model?

Who pays, for what, at what margin and with what costs?

Which layer are we trying to preserve?

Family ownership?

Control?

The legal company?

The operation?

The craft?

The brand?

The community relationship?

The purpose?

What inherited belief might now be wrong?

Which assumption deserves an unreasonable question?

What has a failure or anomaly shown us?

Does the mistake reveal another customer, service, process or interpretation?

What consequences are we failing to see?

What would Russell's sense of proportion require us to include?

A family capable of asking these questions repeatedly has a better chance of learning faster than its environment changes.

Conclusion

Family-business longevity should not be understood as the preservation of an unchanged enterprise.

No company survives centuries by inhabiting an unchanged world.

What survives is more selective.

A purpose may survive.

A craft may survive.

A relationship may survive.

A reputation may survive.

A brand may survive.

A family may survive.

A legal entity may not.

The family business therefore faces a paradox.

It survives through continuity.

It also survives through discontinuity.

Its difficulty lies in deciding which belongs where.

The village store that preserves every product and process may disappear.

The store that abandons every inherited relationship may also disappear.

The stronger enterprise recognises that its deepest inheritance may be neither its shelves nor its till.

It may be the trust that caused villagers to enter in the first place.

Yet trust alone will not pay wages or replace equipment.

Purpose must be joined to competence.

Competence must be joined to a viable business model.

The Japanese examples reveal several forms of adaptation.

Adult adoption demonstrates that even the definition of family succession can change in order to preserve a family enterprise.

Kongō Gumi demonstrates that a craft and operation can survive the end of family independence.

Nishiyama Onsen Keiunkan demonstrates that hospitality can continue through a change of corporate structure.

Hōshi Ryokan demonstrates stewardship carried through generations.

Kikkoman demonstrates that family legacy, professional management and public ownership can coexist.

Worthington demonstrates another course.

A family brewer becomes a public company.

The founding family leaves management.

Another family gains control.

The company merges.

The separate brewery closes.

The brand remains.

Which part survived?

The answer depends upon what one chooses to measure.

This is why the sale of shares changes more than ownership.

It can provide capital.

It creates liquidity.

It brings new voices into governance.

It can dilute control.

It may separate financial inheritance from emotional inheritance.

It can turn the business into something simultaneously owned by a family, influenced by managers, valued by a market and judged by customers.

No single perspective contains the whole.

Shaw's unreasonable person remains necessary because every enduring family enterprise eventually needs somebody prepared to challenge inherited assumptions.

Russell remains necessary because challenge without proportion can destroy what it hopes to improve.

Polymathy remains necessary because family-business problems cross finance, psychology, law, technology, culture, marketing, operations and relationships.

Productive error remains necessary because learning sometimes begins when an apparently sensible assumption fails.

Specialists remain necessary because broad connections require verification.

Governance remains necessary because wisdom needs structures rather than depending upon personalities.

And family memory remains necessary because knowledge can travel through generations in ways no quarterly report can reproduce.

The best family business resembles neither a museum nor merely a financial asset.
It resembles a living system.
It remembers without becoming trapped by memory.
It changes without becoming addicted to novelty.
It allows the successor to be unreasonable.
It allows the founder to become wise.
It permits experiments while limiting the damage of failure.
It welcomes outsiders without surrendering every part of its identity.
It knows that some traditions are values and others are merely old procedures.
Most importantly, it understands that a family does not inherit one indivisible thing called “the business”.
It inherits a collection of assets, relationships, skills, obligations, stories, rights, reputations and possibilities.
Some deserve protection.
Some require transformation.
Some should be allowed to end.
The first responsibility of succession is to recognise the difference.
The deepest inheritance is therefore not simply ownership of yesterday’s business.
It is the collective capacity to decide what tomorrow’s business should become.

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