

## A MODEL OF PSYCHOLOGICAL OWNERSHIP IN NEXT-GENERATION MEMBERS OF FAMILY-OWNED FIRMS: A QUALITATIVE STUDY

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## Abstract

The present research study intends to provide further insights into the psychological ownership experienced by next-generation members in relation to their family firms. Since the area of research is still very young, explorative research is needed. Therefore, we performed a mixed-methods qualitative investigation on a sample of 20 next-generation members of family-owned firms of different sizes, generational stages and business sectors. The origin, transmission and manifestations of psychological ownership towards the family business were studied through interpretative phenomenological and ethnographic analyses. The study also explored the factors that foster or undermine the development of a healthy and fulfilling relation between next-generation members and the family business. Our findings suggest that next-generation members generally experience strong levels of psychological ownership. The development of a positive psychological ownership is associated with various factors such as shared experiences, well-functioning governance bodies, structured and planned entry to the business, psychological empowerment and owning shares, among others.

**Keywords:** next generation, psychological ownership, family-owned firms, qualitative research.

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# A MODEL OF PSYCHOLOGICAL OWNERSHIP IN NEXT-GENERATION MEMBERS OF FAMILY-OWNED FIRMS: A QUALITATIVE STUDY

## Introduction

The role of the next generation in family firms is crucial for their success and their continuity across generations. The ability of a family firm to engage the young family members so they can become committed owners is perhaps the most important hallmark of successful family firms (Lansberg, 1999; Le Breton-Miller, Miller, and Steier, 2004; Mazzola, Marchisa, and Astrachan, 2008). In this sense, the involvement, commitment and identification of the young members towards the family business project will create constructive contributors to the family, the business and society.

As some studies show, the family business context may be a source of well-being for next-generation family members, as it offers a safe environment where there are plenty of resources for finding a balance between different roles in life (e.g., work and family), and a balance between challenges and skills (Ceja, 2009; Kauko-Valli, 2008). Nonetheless, family businesses, even in their basic form, offer – especially to young members – a complex context for daily living (Dyer, 1986; Miller, Steier, and Le Breton-Miller, 2003). Davis and Taguiri (1989) offer a reason why, based on the intertwined systems of family and business, both systems operate on a rather different logic. Drawing on Erikson's (1997) conceptualization of the human cycle, Davis and Taguiri's (1989) research on family firms found empirical support for the proposition that the relationship between senior generations and the next generation was likely to be adversarial due to the different life-stage tasks faced by each side. For instance, Vera and Dean (2005) and Dumas (1990) demonstrated that there are specific challenges experienced by next-generation members in family-owned businesses regarding their relationship with the senior generation and their incorporation to the family business. Similarly, Grote (2003) proposes that next-generation members are deeply challenged by family rivalry, which emerges from imitative behavior between family members involved in the business. In short, from the point of view of well-being, it can be noted that next-generation members who belong to a family firm often face specific challenges and opportunities throughout their young adulthood and adulthood stages, as a consequence of growing up in a world which, for them, is governed by a family firm.

A concept that has been found to be a positive resource for enhancing the well-being and performance of employees and which can be applied to the next-generation members of family firms is that of psychological ownership. Psychological ownership is defined as “that state [of mind] in which individuals feel as though the target of ownership (material or immaterial in

nature) or a piece of it is theirs" (Pierce, Kostova, and Dirks, 2001, p. 299). In other words, psychological ownership can be defined as a cognitive and affective experience of connection between the self and various targets of possessions, such as ideas, relationships with others and physical entities (Pierce et al., 2001). The concept of psychological ownership has been associated with employee well-being and organizational citizenship behavior, among other positive outcomes (Avey, Avolio, Crossley, and Luthans, 2009). A feeling on the part of next-generation members that they belong to the family business and they are responsible for making decisions that are in the long-term interest of the family business may be beneficial in terms of their attitudes, such as commitment to the family business and intention to stay engaged in the business project, and their well-being. Similarly, the experience of psychological ownership can also be associated with some negative attitudes such as refusal to share the target of ownership or resistance to change. Likewise, the sense of psychological ownership may be perceived as a burden by some next-generation members. Moreover, the effects of psychological ownership are not static and are likely to change as the next-generation members pass through different life stages. In this sense, it is paramount to understand how young adults experience being part of a family-owned business, in order to create the most adequate atmosphere for them to develop and maintain a positive and strong bond to their family firms.

The principal aim of this study is to explore the psychological ownership experienced by next-generation members in family-owned firms. Using in-depth interviews, we hope to understand the origin of psychological ownership and how it is transmitted across generations. Moreover, the research examines the role played by governance bodies in the emotional and cognitive attachment of next-generation members to the family business. Finally, we explore the entry and involvement of the next-generation to the family business and its effect on psychological ownership. Armed with this information, the people leading the business and/or the family can be more conscious of and responsible for the happiness and well-being of each member of the family business.

### **Research on next-generation family members: a brief review**

In her review of the state of play of family business research, Sharma (2004) successfully directed attention towards the importance of focusing on next-generation family members and understanding their perspective. Following her suggestions, research on next-generation members has developed in three main areas: necessary attributes of next-generation members from the perspective of leaders; performance of next-generation members and enhancing factors; and reasons why next-generation members decide to pursue a career in the family business.

From the viewpoint of the senior generation, there are specific attributes that, according to research, are desirable in next-generation members. These include integrity, commitment to the family business, decision-making abilities, interpersonal skills and self confidence, to name a few (Sharma and Irving, 2005; Sharma and Rao, 2000). Similarly, due to their long tenures, family business leaders acquire a great amount of unique as well as implicit knowledge related to the business. It has been discovered that the performance of next-generation members is based on how effectively this knowledge, as well as social networks, are transferred from one generation to the next (Steier, 2001). Moreover, according to Steier (2001), a supportive relationship characterized by mutual respect facilitates the effective transfer of knowledge, social networks and social capital from the senior generation to the next generation. Similarly, family business research has taken steps to examine the reasons for next-generation decisions to join the family business. For instance, Sharma and Irving (2005) propose a model of four

distinct mindsets that seem to drive the desire of next-generation members to enter the family business. These are: affective (based on perceived desire), normative (based on perceived sense of obligation), calculative (based on perceived opportunity costs involved), and imperative (based on perceived need). Likewise, Vera, and Dean (2005) identify a number of reasons cited by next-generation members for joining their respective family firms. More specifically, the authors highlight flexible hours, comfortable environment, money, taking care of parents and creating something to pass on to children as the reasons cited by next-generation members for entering the business. A review of some of the studies that have taken a next-generation perspective shows that family business scholars are increasingly interested in the young members of family-owned firms. Nevertheless, we still have limited knowledge about how they experience their relationship with the family business.

## Psychological ownership and the next generation

As mentioned, a concept that has gained increased attention among management scholars is that of psychological ownership (Pierce et al., 2001; Pierce and Jussila, 2010). Several scholars have found that the psychological sense of ownership is an integral part of the employee's relationship with the organization (Pierce and Jussila, 2010). In the family business context, the concept of psychological ownership captures the nature of the bond between the next generation and the business. The attachment and identification contained in the sense of ownership represents the foundation of the unique culture of family businesses and therefore their inimitable competitive advantage (Björnberg and Nicholson, 2008; Nicholson and Björnberg, 2008). Thus, gaining insights regarding the nature of psychological ownership among next-generation members is important for creating relevant knowledge that helps to improve the functioning and well-being of family firms. This is exactly the objective of the present study.

Family business researchers have examined related concepts such as *emotional ownership* (Nicholson and Björnberg, 2008). However, we still have limited knowledge regarding the concept of psychological ownership in next-generation members. This is surprising, because family ownership is a defining element of family-owned firms. In this sense, the present study is among the pioneer works in examining the processes underlying the world of psychological ownership from a next-generation perspective.

Psychological ownership develops naturally within the cognitive and affective domains, describing people's inclination to experience an intense connection with ideas, objects, relationships and other elements outside the material sphere, as if they were an extended part of themselves. Psychological ownership asks "What is mine?" (Pierce et al., 2001) and defines the individual's psychological relationship with the target. In this sense, the target of ownership transcends the object itself, as it becomes part of the self. Possessiveness is at the core of the concept of psychological ownership and it defines the psychological attachment with the target. The target of psychological ownership is more than the object or idea itself, since they become part of the extended self. From a psychological perspective, possessions play a vital role within the identity of people (Pierce et al., 2001). To have possessions and to increase our possessions generates a positive and enriching effect (Formanek, 1991). It enhances our sense of identity and belonging, which has a positive impact on our well-being, while the loss or lack of possessions often produces negative states of consciousness (Seligman, 1991).

By looking at past research, we find that the feeling of ownership is an important part of the human condition; people develop feelings of ownership towards different objects – both

tangible and intangible – throughout their lifetimes. These feelings of ownership give shape to a person's self-identity. Moreover, feelings of ownership have important behavioral, emotional and psychological consequences. For instance, within the organizational setting, psychological ownership has been associated with optimal performance, responsibility, job satisfaction, organizational citizenship behavior and organizational commitment (e.g., Avey et al., 2009; Mayhew, Ashkanasy, Bramble, and Gardner, 2007; O'Driscoll, Pierce, and Coghlan, 2006).

Drawing on the work by Pierce et al. (2001), there are several routes for the development of psychological ownership: 1) coming to intimately know the target; 2) self-investment in the target, and 3) controlling the target. Intimate knowledge is developed through a living relationship with the target. In this sense the more information, the better knowledge, and the longer the association of an individual with the target, the deeper the psychological relationship between the self and the target, and the stronger the experience of psychological ownership towards the target will be (e.g., *Nihil volitum nisi praecognitum* – nothing is desired unless it is pre-known). Likewise, according to Csikszentmihalyi and Rochberg-Halton (1981) the investment of an individual's energy, effort and time into a target leads the self towards becoming one with the target and to develop feelings of ownership in relation to the target. Finally, control over the target is a key characteristic of psychological ownership. Objects that can be controlled become part of the self; the greater the control, the stronger the psychological ownership towards it.

The context of family-owned firms provides next-generation members with numerous opportunities for getting to know the business (i.e., in this case the target of psychological ownership). For instance, from a very early age, next-generation members are able to acquire a great deal of information regarding the family business (i.e., through family conversations, knowledge regarding the family business history, visits to the business, etc.). Likewise, the family firm context provides a wealth of opportunities for next-generation members to invest themselves in the business. The investment of next-generation members in the family business may come in different forms, including their investment of time, skills and ideas, and exercise of family values, as well as psychological and intellectual energies. Unlike intimate knowledge and investing the self into the family firm, control over the business is more difficult for the next generation to achieve without having a role in the business. Control is often externally regulated (Nicholson and Björnberg, 2008), since it is based on legal ownership of company shares, employment or having voting rights in the family firm's governance body. These sources of control are often inaccessible to young members in family firms. Moreover, empirical research demonstrates that senior generations in family firms find it difficult to relinquish control when they have strong ties to the business (Davis and Harveston, 1998), leaving few possibilities for young members of the family firm to gain control over the business. Elsewhere, Lansberg (1999, p. 202) states, "many seniors [parent-bosses] are reluctant to empower members of the next generation because doing so implies they eventually must move out of the way and turn over control to them." These psychological processes make control over the business particularly challenging for next-generation members. In this sense, the process of empowerment, defined as "the belief that one has control over decision making" (Parker and Price, 1994, p. 911) becomes key in the development of psychological ownership in next-generation members.

Overall, in the case of psychological ownership in next-generation family members, where the target is the business, those who have high levels of psychological ownership are likely to experience the business as an extended part of themselves. Thus, we hypothesize that psychological ownership will be positively associated with the assumption of responsibility,

commitment, pride, enthusiasm, caring and protective behavior directed toward the target of ownership (i.e., the family business). Likewise, it is also expected that, in some cases, the experience of psychological ownership can be linked to more negative outcomes such as refusal to share, feelings of pressure or stress and resistance to change. Overall, in the sphere of families in business, where the enthusiasm and love for the business is paramount and will carve out the professional identity of its members, exploring the phenomenon of psychological ownership among next-generation members, its roots and the factors that may enhance or decrease this emotional and cognitive bonding with the business, becomes, in our view, highly relevant for the family business field.

## Method

### Participants

Next-generation members from several Spanish family-owned firms of different sizes and generational stages were contacted. The study sought next-generation members who came from a sample of heterogeneous family firms in terms of firm maturity, firm size and type of business activity, as the perceptions, challenges and opportunities of next-generation members are often conditioned by the size, maturity of the family firm and type of business activity (e.g., it may be easier to feel attached to a wine brand than to a brick manufacturer). More specifically, the sample was composed of 20 next-generation members. Each participant was a member of a family-owned firm.<sup>1</sup> The 11 males and 9 females were aged between 21 and 42 years and they were part of the 2nd to 4th generations.

### Procedure

#### *A methodological note*

Research on family business has substantially increased over the past few decades. However, if we look at the publications in specialized journals, we find that the field is still dominated by quantitative research drawing on large samples (Dyer and Sánchez, 1998; Sharma, 2004). Qualitative approaches and case studies are in the minority. However, qualitative, inductive research seems to be equally important in the family business field, since various processes and experiences can only be tackled at the (often subjective) micro level of family business members' experiences (Hall, Nordqvist, and Melin, 2009). In this case, the principal aim is to take a snapshot of the experience of psychological ownership in next-generation members. Since this area of research is still very young, explorative research is needed. Therefore, a qualitative approach seems to be the most appropriate as we are seeking a deep understanding of the experience of young members in family-owned firms.

Following this reasoning, semi-structured interviews were conducted by the first author with each participant. Semi-structured interviews were used because the method provides the researcher with flexibility, allows the collection of rich data and can be used for interpretative

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<sup>1</sup> We have used the definition of a family business agreed by both the Family Business Network (FBN) and the European Group of Owner Managed and Family Enterprises (GEOF).

phenomenological (Smith and Osborn, 2003) and ethnographic (Altheide, 1987) analyses. The interviews lasted between 30 and 60 minutes. The interviews were divided into three parts: introduction, rapport building, main questions and wrap-up. During the introduction, participants received an explanation of the objectives of the study and the level of confidentiality they could rely on, and they were asked for permission to use a tape recorder during the interview. Recording the interview was very important for increasing the accuracy of the data. Participant consent to record the interviews was obtained and each interview was transcribed in its entirety.

Participants were initially questioned about their sense of psychological ownership towards their family firm, including what events or experiences had contributed to or hindered the creation of the relationship with the family business. Likewise, participants were asked to discuss how their bond to the family firm was passed on to them from preceding generations. Participants were also asked whether their family firm possessed governance bodies, and about the effect of governance bodies' interest and engagement in the business project. Participants were asked to describe how the entry and involvement in the family firm was managed by the generation in power; this was designed to examine the effect of governance structures and entry procedures on the psychological ownership experienced by next-generation members.

## Data analysis

The data analysis was conducted following the Interpretive Phenomenological Analysis (IPA) procedure suggested by Smith, Jaraman, and Osborn (1999). This type of analysis begins with a detailed analysis of one specific transcript prior to focusing on the remaining transcripts. The first reading of the transcript is carried out to identify significant, salient or interesting elements of the participant's narrative. Then a second reading of the transcript is carried out with the aim of identifying and recording emerging themes. To organize the information, theme titles are developed and noted throughout the transcript whenever similar themes emerge; super-ordinate themes are also detected. Finally, the researcher proceeds to order the themes according to theoretical assumptions or his or her own expectations, before this process of analysis is carried out for all the remaining transcripts. All the remaining interviews were then transcribed. However, due to the fact that in-depth interviews elicit large amounts of information, it was necessary to code the data in order to make sense of that information.

Furthermore, the ethnographic content analysis (ECA) approach (Altheide, 1987) was used to complement the IPA approach. It focused on documenting and understanding the meaning behind the participants' transcripts. ECA can provide the researcher with a systematic and analytic approach to recognizing those variables that initially guided the study, yet remains flexible to other variables that are allowed and expected to emerge as the researcher goes into each of the transcripts in depth.

## *Reliability*

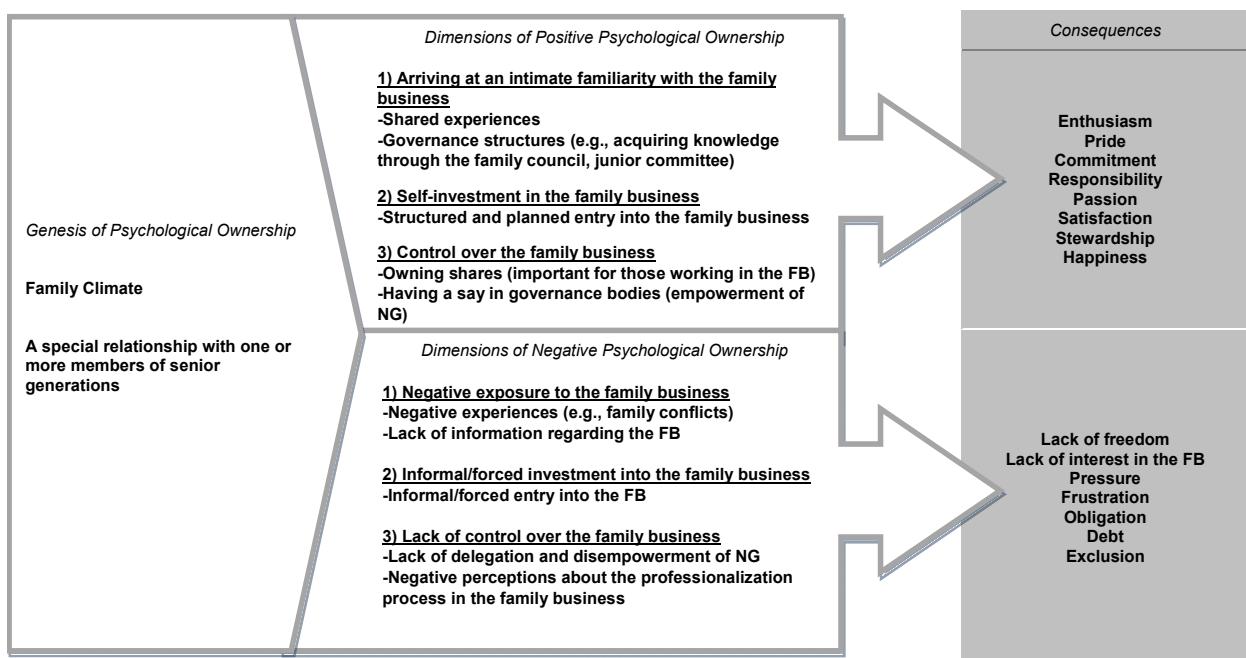
In order to ensure the reliability of the study, the procedure adopted by Harris, Daniels and Briner (2001) was incorporated. The qualitative data was coded by at least two researchers and was analyzed for consistency. An inter-coder reliability measure suggested by Miles and Huberman (1994) was used to calculate the level of agreement between the two researchers. The authors suggest that the measure should yield over 70% inter-coder reliability. To confirm reliability further, disagreement between researchers was settled through an exchange of views.

## Results

The results of the study are presented in four sections, in line with the research objectives of the present study, outlined in the introduction. Transcribed quotes from the interviews are provided to illustrate the emergent themes of the study. Based on the work by Pierce et al. (2001), Figure 1 features the key dimensions, characteristics, mechanisms and conditions of psychological ownership experienced by next-generation members in relation to their family business.

**Figure 1**

A model of psychological ownership in next-generation members



### I. Do you experience a sense of psychological ownership towards your family firm?

This first question was concerned with identifying whether next-generation members experience an attachment towards their family business and their cognitive and emotional experience regarding this bond, which goes beyond that of legal contracts. Most participants experienced a very strong feeling of psychological ownership. This is in line with past research (Björnberg and Nicholson, 2008), which detected that the default position for most next-generation members is a strong emotional and cognitive attachment with their respective family businesses.

### Different faces of psychological ownership in family firms

When participants discussed their sense of psychological ownership towards their family business, various positive and negative emotions and feelings were described. Specifically, most participants spoke of a very strong psychological ownership towards the family firm; only a minority expressed having no attachment at all or a weak bond to the family firm. Table 1

outlines the differing degrees and manifestations of psychological ownership towards the family firm that we observed in our sample.

**Table 1**

Profiles of psychological ownership in next-generation members\*

PSYCHOLOGICAL OWNERSHIP	STRONG	WEAK
<b>Positive</b>	<ul style="list-style-type: none"> <li>- <b>Strong and joyful feeling of being psychologically tied to the family firm. The family business is an extension of the self.</b></li> </ul> <p>"I'm pretty excited and passionate about the business; it makes me really happy to be part of it. I also feel the great responsibility of keeping the business successful for the coming generations and for honoring the generations before me. This passion for the business keeps the family together and committed towards a common goal."</p>	<ul style="list-style-type: none"> <li>- <b>Weak positive attachment to the family firm</b></li> </ul> <p>"I don't feel specially attached to the business. It's good to know you can join if you decide to, but I have other plans at the moment."</p>
<b>Negative</b>	<ul style="list-style-type: none"> <li>- <b>Oppressive attachment to the family firm. Feelings of pressure, debt and obligation.</b></li> </ul> <p>"I feel strongly attached to the firm. However, this feeling of attachment feels more like a straitjacket. I feel a strong responsibility to continue in the business, as if there wasn't any other option."</p>	<ul style="list-style-type: none"> <li>- <b>Weak negative attachment to the family business</b></li> </ul> <p>"I don't feel very bonded with the family business; you see, I don't know what the turnover is or the number of employees. I'm not very interested in the family business."</p>

\* Classification adapted from Nicholson and Björnberg (2008).

Some of the participants who expressed a strong psychological ownership towards their family firm spoke of feeling *enthusiastic, happy, proud, satisfied, committed, responsible, passionate* and a *sense of stewardship*. Some of these feelings represent positive and highly activated emotional and cognitive states (e.g., enthusiastic, passionate). These positive and high-arousal affective experiences are often related to subjective well-being and happiness (Schaufeli, Salanova, Gonzalez-Roma, and Bakker, 2002), lending support to the relationship between high levels of psychological ownership and well-being (Pierce and Jussila, 2010). Some representative comments include:

P1: "I feel strongly attached to the family business, it makes me *proud*. When there is a success in the family firm, I feel very *excited* and *enthusiastic* about it. It really gets into me. I feel that if something good happens in the business it's also very positive for me."

P16. "I'm pretty *excited* and *passionate* about the business; it makes me really *happy* to be part of it. I also feel the great responsibility of keeping the business successful for the coming generations and for honoring the generations before me. This *passion* for the business keeps the family together and committed towards a common goal."

While some participants described the strong psychological attachment to the family firm as positive, others described negative experiences from having such a strong bond with the family firm. More specifically, participants used colloquialisms such as '*straitjacket*' to describe the lack of freedom they experienced as a result of having such a profound link to the business. Likewise feelings of *pressure* to enter the business, *debt* and a sense of *obligation* were present in the discourse of some next-generation members. The comments below describe negative experiences associated with a strong psychological bond with the family firm:

P7: "I feel strongly attached to the firm, however this feeling of attachment feels more like a *straitjacket*. I feel a strong responsibility to continue in the business, as if there wasn't any other option."

P12: "I feel very linked to the family business. However, most of the time it feels like a strong *pressure* to enter the business, more than something to look forward to."

P17: "The family business *takes away your freedom*... It makes me feel in *debt* and *obligation*, in some way you feel like you ought to get involved in the family business."

There were some cases where the attachment to the business was rather weak or low. Some of these participants associated positive feelings to this weak psychological ownership, for example:

P2: "I don't feel specially attached to the business. It's good to know you can join if you decide to, but I have other plans at the moment."

Similarly, there were some participants who experienced low psychological ownership toward their family business and they also experienced the negative effects of such weak attachment. This position is illustrated in the following quotes:

P8: "I don't feel very bonded with the family business; you see, I don't know what the turnover is or the number of employees. I'm not very interested in the family business."

P11: "The family business has been all about conflict. I don't believe in the concept of family business anymore; you would imagine that I don't feel much attached to the family business."

The overall theme reflected here represents different degrees of psychological ownership (i.e., strong-weak) and both positive and negative dimensions attached to both weak and strong psychological ownership. In Table 1 we label these degrees and dimensions of psychological ownership as profiles.

## II. How is the psychological ownership transmitted across generations in your family business?

Participant descriptions of the way psychological ownership is transmitted across generations reflected two dimensions: family climate and a special relationship between next-generation members and more senior family members (e.g., father, mother, grandparents, etc.). These dimensions are presented in Figure 1 and labeled as genesis of psychological ownership. Participants also reported some events or experiences that enhanced or hindered the transmission of psychological ownership across generations.

## The importance of family climate

According to several participants, the family climate lived by next-generation members is an important factor for the development of their psychological ownership towards the business. A family climate is the set of relationships between family members, patterns of behavior and organizational features (Björnberg and Nicholson, 2007). Every family creates its own climate across time, and this climate contributes to and shapes the inimitable, rare, and valuable behavioral and social resources that family businesses have (Habbershon and Williams, 1999). From our results, the family climate seems to be a key dimension in the transmission of psychological ownership to next-generation members. The following examples illustrate this point:

P3: "It is a *family climate*, an *atmosphere*, something that has been created, it is a general sense of responsibility of what we have received and we want to continue [...], it is something almost *spiritual*."

P4: "I believe we have the emotional bond in our *genes*. It is what our family has always done and therefore you see it almost as something *natural*, something you like and care about. I love the feeling of having something to pass on to the next generations in my family."

P15: "It is transmitted through a special *climate*, an *atmosphere* in the family, through the conversations regarding the family firm since you were a child. The bond is transmitted because it is a *fundamental* part of your life."

## A special relationship with one or more members of senior generations

Various participants identified certain senior family members as being the people who transmitted the bond to the family firm. These people were, in most cases, seen by next-generation members as mentors; someone they felt was very close to them and to the business project. Trust was, in most cases, the foundation of these distinct relationships. Some examples of these cases are the following:

P9: "I inherited my bonding to the business from my *grandfather*. I saw how he lived and enjoyed working for the family firm, and all my enthusiasm towards the family firm comes from his entrepreneurial spirit."

P16: "From my *father*. I'm 38 and my father is 68. When I was very young, on Sundays we used to sit together and draw how the company would look like when I got older. And now we still do it. We still plan together the future of the business."

## Factors that undermine the transmission of psychological ownership

To further understand the conditions that enhance or reduce the feelings of psychological ownership towards the family business, participants were asked about the factors that, in their view, foster or detriment the development of a strong bonding towards their family business. Participant declarations indicated three factors as conditions for developing a weak and negative psychological ownership: a) negative experiences regarding the family firm (e.g., family conflicts); b) lack of information regarding the family business, and c) perceptions about the professionalization process in family firms (e.g., managed by external employees, very distant from one's reality). The comments below describe each of these factors.

### *Negative exposure to the family firm*

P7: "Since I was a child, everything I remember in relation to the family business is that when we were at home, my parents were continuously arguing about problems related to the family business."

P12: "I'm tired of hearing that my brothers have argued again and that they don't speak to each other because of issues related to the family business. Watching my dad coming home extremely stressed because my brothers are fighting makes me feel very sad. The last thing I want is to have problems with my brothers in the future, so I don't want to know anything about the family business."

### *Lack of information regarding the family business*

P11: "I've never been informed about anything related to the family business. It is there and no one speaks about it. If I had more information about the company, perhaps, I would feel differently."

### *Negative perceptions about the professionalization process in family firms*

Some participants expressed feeling distant from the business project when the family firm was largely managed by external professionals. The comment below describes this situation:

P6: "The family business has become too professionalized. The requirements for entering the business are almost impossible to attain. I feel very distant from the reality of the firm."

## **Factors that enhance the transmission of psychological ownership**

Participants also described four aspects that are important for developing a positive and strong psychological ownership towards the family business: a) shared experiences; b) governance structures; c) having information and knowledge about the family firm, and d) owning shares. Some examples are:

### *Shared experiences*

P3: "The bond to the family business was created since we were very young. When we were children, we used to spend the summer holiday where the wine harvest takes place. We still do. We visit the wineries very often. We love wine. We usually spend hours together with my family in the business."

### *Governance structures*

P5: "The family council has been key for strengthening my relationship with the family business. Through the family council we try to organize family meetings in the company, or workshops regarding topics related to the business, or just simple family reunions, without too much structure, with the sole excuse of seeing each other and fostering family unity."

### *Having information and knowledge about the family firm*

P1: "The psychological bond is enhanced through the involvement in the business, through information and experience in the company, through being an active member of the shareholder meetings and any other business meetings; when you go through the experience of working in the business, your attachment to the business grows much stronger because you are dedicating energy and time to the project."

### *Owning company shares*

In general, owning shares of the family business only appeared to affect the degree of psychological attachment in those participants who worked in the business. By analyzing the transcripts, we could detect an evolutionary process: when next-generation members haven't joined the business in a professional capacity, owning shares appears irrelevant. However, when they start working for the family company, owning shares becomes paramount for strengthening their psychological ownership. The following example comes from a next-generation member who was working in the family business:

P3: "I own 11% of my family business, I know my opinion counts, and this is extremely important for me, both emotionally and economically; you have rights and responsibilities as a shareholder and this makes you feel economically stable as you own part of the family patrimony."

The following example comes from a next-generation member who has not yet joined the family business in a professional capacity:

P2: "It doesn't affect [me] at all, because my family is the most important thing and I feel there are no risks; we are lucky because we are very close and the family is more important than having any shares. I'm not really interested in owning shares yet, perhaps in the future, we'll see."

### **III. Does your family business have governance bodies (e.g., family council, family assembly, etc.) in place? How do you feel about them?**

Governance practices and structures play a key role regarding the next generation's degree and quality of attachment to the firm. Most participants in our study described the importance of having governance bodies (i.e., family council, family assembly) regarding transparency in all business activities, which creates an atmosphere of trust and harmony, as well as enhancing the clarity and effectiveness of communication among family members. Likewise, in their view, governance structures facilitate the entry and involvement of next-generation members to the business, as well as their formation in terms of professional skills, and relevant knowledge regarding how to become a responsible owner. The following example illustrates the important role played by governance bodies.

P20: "The family council gives me the opportunity to participate and get involved in the business in a structured manner, and acquire knowledge and skills related to the family firm. Also, the family assembly meetings are really great to see other family members and spend time together; otherwise it would be impossible to get everyone together."

Although most next-generation members view governance mechanisms and practices as a positive element for feeling fulfilled in their relationship with the business, a few warnings came from some of the participants, especially within those family businesses following an autocratic model of leadership. In these cases, next-generation members expressed that when the corporate and governance bodies (i.e., board of directors or family council) followed a “one captain” model, this is to say an autocratic leadership style, they felt *disengaged, frustrated* and *excluded*. Similarly, the lack of information regarding the function and structure of governance bodies negatively affected their psychological ownership towards the family business. Some examples that illustrate these issues:

P7: “I know there is a family council and a board of directors, but I wouldn’t be able to tell you who is in there. I know that my mother is there and an uncle, but nobody keeps the “young” members informed about anything. I don’t think having governance structures helps in making me more interested in the family business.”

P8: “I’m part of the board of directors. However I don’t have a voice in any of the meetings. In fact, I almost never speak. My father is the one who does all the talking and makes the final decisions. I believe that if the governance structures work well, I mean, we all have the right and voice to speak and make decisions, they can be really helpful tools for the engagement of next-generation members in the business. However, in my case the situation makes me feel very *frustrated*.”

P7: “Attending board meetings with the objective of voting for decisions that have already been taken makes me feel *excluded*.”

#### **IV. How is the entry and involvement of next-generation members managed in your family business?**

For those next-generation members who have worked in the family business, the manner in which they join the family firm in a professional capacity determines their future relation with the business and their contribution to the business project (Mazzola et al., 2008). Participants in our sample described various modes of entry into the firm. One of the themes that emerged in the data was regarding the degree of formality (i.e., informal vs. structured) in the way members join the family firm, the amount of preparation they receive before entering the firm, and how they integrate once they start working in the family firm. Those next-generation members who enter the business following a well-structured plan tend to describe a more positive experience than those who join the family business in a more informal manner. Another theme that emerged was the experience of being forced to join the business due to lack of personnel, financial troubles or managerial difficulties in the family business. These participants tend to report a negative experience; indeed, some of them decided to leave the business after a while. In these cases the family firm may be losing valuable talent. Below are some examples of the various ways of joining the family business in a professional capacity.

##### *Informal entry to the family business*

P6: “My entry into the family business was *not structured* at all. At first it was for a summer kind of internship. I knew more or less what I was supposed to do, but there wasn’t a real job position available for me, so once I sat in the chair, it all got messy and really stressful. I hope my sisters’ entry into the business will be more planned than mine.”

### *Forced entry to the family business*

P11: "For me, it was quite *forced*. I was starting an art degree and the company was going through a rough financial crisis. My father needed help so the pressure to enter the business was enormous. My brother and I entered the business, nothing was planned and at the beginning we were only putting out fires. Suddenly we became fire fighters. It was very difficult; arriving every day without knowing what was going to happen. I was inexperienced and with no specific objectives, which made it even more difficult."

### *Structured entry to the family business*

P20: "In my case, I've been very lucky as we have done a very *structured* planning of my entry to the business. There was a position available and I had the interest and right skills to cover that position; however, we agreed that before starting on that position, I would be rotating throughout the company to learn how each business unit worked. I've been doing that for the past six months and I've learned so much. Next month I start working in my real position and I know exactly who to report to and who is going to report to me. It's very positive to have a structured entry into the business, since you are able to use your skills and really make a positive contribution to the management of the business."

P3: "I joined our family business at the request of the management team when there was a vacancy that matched my knowledge and experience at that time really well. We have a rule, which is written in the family constitution, that a family member can enter the business only if there is a vacancy that matches his experience and skills. No job positions can be created especially for family members. I entered the business earning the same salary as in my previous job. In hindsight, I do believe that that the best way to enter the family firm is following certain *rules*."

## Discussion

In the present study we have suggested that psychological ownership is a powerful and important concept in family-owned firms. From our study we can see that the sense of psychological ownership grows naturally under specific conditions; hence family businesses can follow certain strategies to enhance this feeling of identification with the business. Building on the results from the present study, we aim to set some guidelines for future research, as well as providing families in businesses with useful recommendations and best practices for the development of a healthy and strong sense of psychological ownership in their next-generation members.

Our study confirmed that next-generation members generally experience strong levels of psychological ownership, although there is a minority who experience weak or no psychological ownership towards their family business. Similarly, our findings suggest that the genesis of psychological ownership can be traced back to a distinct family climate and a special relationship with members of an older generation (e.g., parents, grandparents). These two dimensions seem to be crucial for originating a sense of psychological ownership in next-generation members. More specifically, psychological ownership seems to build from a very young age, when the child becomes conscious of the importance of the family business; at this moment, senior generations must try to make the most of this interest to incubate the sense of psychological ownership in their young members. In other words, some of the key conditions

identified for developing a sense of psychological ownership in the next generation are “mentoring and trusting relationships” from an early age with members of the senior generation, coupled with a family climate in which the family business is an important element in the everyday family dynamics.

Likewise, we found varying degrees (strong, weak) and different profiles (positive, negative) of psychological ownership. More specifically, the effects of experiencing psychological ownership can be perceived as positive (e.g., commitment, happiness), while for some cases this experience can become more negative (e.g., lack of freedom). Hence, we propose the existence of two concepts: Positive Psychological Ownership (PPO) and Negative Psychological Ownership (NPO). These two manifestations have different consequences in the experience of next-generation members. For instance, PPO appears to be associated with a sense of stewardship, commitment and responsibility towards the family business. Likewise, PPO seems to be linked to positive emotional and cognitive states like enthusiasm, pride, passion, happiness and satisfaction. In contrast, NPO appears to be associated with a lack of interest in the family firm. Similarly, NPO is linked to several negative cognitive and affective states such as lack of freedom, pressure, frustration, obligation and debt.

Building on the work by Pierce et al. (2001) we propose a model of psychological ownership in next-generation members (Figure 1), where specific points linked to the development of PPO and NPO are presented. Three main points related to the emergence of PPO are identified. The first point refers to getting to know the family business. In this sense, spending time together with other members of the family business through family meetings, visits to the business (including explanations of the family business practices) are likely to be very fruitful activities for engaging next-generation members in the business project. Likewise, governance bodies (e.g., family council, junior committees) allow next-generation members to participate and get to know the business, for example, by running family assemblies, editing newsletters, creating social networks (e.g., blogs where family members can exchange information regarding the family business and other family matters), writing the family history, running workshops for developing knowledge and skills regarding the family firm, and so on.

The second point for developing a PPO is by self-investing in the family business. For those next-generation members who work for the family business, the way in which they join the business in a professional capacity seems to be a determinant for developing a PPO. Next-generation members need rules, structure and support as they advance in their career development. Hence, supporting young people's career decisions and discussing options for their professional development must become a key priority for families in business. Senior generations must create a career strategy together with each next-generation member. This strategy needs to be revisited periodically as next-generation members, the family and the business develop through different life stages.

The third point is about experiencing some control over the family firm. More specifically, it is important for next-generation members to feel they have some decision-making authority. For example, for those next-generation members who are working in the family firm, owning shares appears to be very important to strengthen their psychological ties with the business, as they can experience some control over the family firm. Nevertheless, it is important to note that owning shares was not very important for those next-generation members who were not yet working in the family business. In our view, this is a very interesting finding worthy of further research consideration.

Likewise, having a voice and feeling empowered appeared to be important for developing a PPO. Hence, senior generations should create situations where next-generation members experience psychological empowerment. In other words, next-generation members should be allowed to have a voice and certain decision-making authority, according to their experience and skills. Following the work by Kaminski, Jeffrey, Kaufman, Graubarth, and Robins (2010), one way to create an environment that fosters the empowerment of next-generation members may be through the role of a mentor. In this way, members of the senior generation can serve as mentors for next-generation members, encouraging them to take on new tasks with progressively higher levels of responsibility and authority. Mentors should express confidence in the abilities of next-generation members and encourage them to develop their own goals and strategies for personal success and that of the family business. Likewise, according to Lansberg (1999), mentoring may work best when mentors are either family members who are "old enough and secure enough in their positions not to regard the young family members as rivals" (Lansberg, 1999, p. 188), or nonfamily members. In the same study, Lansberg also emphasizes that mentoring works most effectively when there is ample distance (in terms of age or closeness of family relationship) between mentors and protégés. Similarly, it is important to remember that mentors should always provide the necessary resources, knowledge and skills so next-generation members can use the authority delegated to them effectively.

Furthermore, this study shows that, under certain conditions, the psychological ownership experienced by next-generation members can take on more negative overtones. More specifically, our study shows that just as there are three main points associated with PPO, there are also three distinct points linked to NPO. The first point associated with NPO deals with a negative exposure to the family firm. More specifically, NPO is linked with negative experiences such as family conflicts or a lack of information regarding the family. Accordingly, managing relationship conflict seems paramount for the healthy development of a relationship between next-generation members and the family business. Conflict is not destructive in a relationship if it is handled and counterbalanced by positive emotions, particularly trust, affection, humor, positive problem solving, empathy, and active, non-defensive listening (Walsh, 2006). Effective conflict management calls for open disagreement with good communication skills. The building of good communication will empower the family to fight for their relationships and for their business project. Moreover, keeping the next generation informed regarding issues relevant to the family business also appears to be critical for avoiding the development of NPO.

The second point refers to an informal or forced entry into the family business, as it causes in most cases feelings of pressure, frustration, obligation or other types of distress symptoms. In these cases the family business may lose important talent. Hence, it is vital to take into consideration the skills, experience and expectations of the next generation and develop a customized entry program. Also, it is important to consider the timing of involvement. It may be best to start with an informal socialization with the business at a young age, with summer activities or internships, before offering next-generation members more official positions within the business. Moreover, respecting the *job calling* – that is, a sense of purpose that this is the work one was meant to do (Hall and Chandler, 2005) – of each next-generation member appears to be vital for their well-being and the long-term success of the family business. The job calling might be inside or outside the family firm. If the job call is outside the family business, it is very important to always keep these 'outsiders' on board the family business project; if inside, there is a risk that next-generation members develop NPO.

The third point is related to the process of professionalization in family firms. More specifically, when the family business grows and becomes managed mostly by external managers, next-generation members appear to feel, in some cases, excluded and distant from the family business project. Therefore, it is important to develop compensatory mechanisms for integrating next-generation members to the family business project in these cases. In other words, next-generation members should be aware that even though they are not involved in the management of the business, they can play a major role by being responsible owners and constructive family members. For instance, a way of integrating them to the family business is through their involvement in family governance bodies such as the family council, the family assembly, the family office or the junior committee. In short, next-generation members should be kept engaged and involved in structured or more informal activities related to the family business project.

Similarly, an autocratic leadership style, where next-generation members feel disempowered, is likely to produce feelings of frustration and exclusion leading to NPO. A way to avoid the development of NPO is through transformational leadership, which can help to empower and engage next-generation members in the family business so they can become constructive owners (Avolio, Zhu, Koh, and Bhatia, 2004). A central element of transformational leadership is the use of mentoring to prepare followers to assume more responsibility, and ultimately develop followers into leaders (Yukl, 1998). This type of leadership has been found to positively affect psychological ownership (Avey et al., 2009). Hence, by following a transformational leadership style, members of the senior generation (as well as nonfamily leaders) can involve next-generation members in decision-making processes, inspiring loyalty, while recognizing and appreciating the different needs and abilities of each next-generation member to develop his or her personal potential.

### **Study limitations and opportunities for future research**

The limitations of this research study should help guide future research. Although our study represents advancement in the understanding of psychological ownership in next-generation members, given the explorative nature of the research, further studies are needed with larger samples. Although the sample used in the present study is very rich in terms of firm maturity, firm size and type of business activity, next-generation members came from different family firms, so it may be interesting to use multi-case methodologies to be able to capture the experience of several next-generation members as well as members from senior generations of the same family business. This way we could assess the family business from a general systems perspective using theoretical approaches such as the Sustainable Family Business Theory (SFBT; Danes, Stafford, Haynes, and Amarapurkar, 2011) that could provide us with further insights regarding the influence of family climate (e.g., how close, flexible and cohesive the family is), family relationships (e.g., parent-children, siblings, cousins), and leadership styles (e.g., autocratic, democratic, transformational, etc.) on the psychological ownership of next-generation members.

Likewise, it may be interesting to establish a control sample and identify and test hypotheses. In particular it may be worthwhile operationalizing the dimensions identified in our study including the genesis of psychological ownership, routes that lead to a positive or negative psychological ownership and the different consequences of experiencing psychological ownership. Once we have operationalized these dimensions, we could adopt a quantitative methodology that should help us test the model we propose in Figure 1. Similarly, the

dichotomy of PSO and NPO presented in our theoretical discussion (Figure 1) may be more complex than simply two single extremes of experience; hence future research may profit from detecting further dimensions involved in the development of both PSO and NPO processes.

Finally, our study is among the first to examine psychological ownership in Spanish next-generation members. Looking at the cultural features that affect the genesis and evolution of psychological ownership is beyond the main objectives of the present study. It should undoubtedly be included, however, in the agenda for future research. In this sense, the culture literature (e.g., Hofstede, 1991; Schwartz, 1990) may be of great interest for future research in this area.

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