Limits to psychological ownership in the family business

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Abstract

Purpose – The purpose of this paper is to analyze how the sense of control, psychological ownership and motivation of both family owners and non-family managers in family firms are interrelated. This paper analyzes the limits set by family owners when delegating control to their non-family managers and the resulting potential for conflict and demotivation of the non-family managers.

Design/methodology/approach – Building on the existing literature, first, an overview of the literature on psychological ownership and control is presented. Second, the paper analyzes the insights gained from interviews with 15 family owners and non-family managers in five family firms.

Findings – This study finds that motivating non-family managers is not merely a matter of promoting a sense of psychological ownership throughout the company. A strong sense of psychological ownership may facilitate but also hinder the cooperation between family and non-family. Family owners are often only willing to delegate operational control, while non-family managers also feel entitled to participate in strategic decision making. This leads to the proposition that non-family managers’ psychological ownership in family firms’ conflicts with family owners’ desire to maintain control.

Originality/value – This study answers the calls for more empirical validation of the psychological ownership framework and for more research into the potential negative effects of psychological ownership in the family business.

Keywords Family business, Psychological ownership, Delegation of power, Non-family managers

Paper type Research paper

1. Introduction

The notion of psychological ownership, i.e. the sense that the family firm is “mine” or “ours” (Pierce et al., 2001; Pierce and Jussila, 2010), is an important topic for family businesses as it fits closely with a family firm’s DNA (Ikaivalko et al., 2008; Rantanen and Jussila, 2011) and can potentially propel the family business forward. In particular, family owners’ sense of psychological ownership motivates them to do their utmost for their company. Moreover, a wide proliferation of psychological ownership can extend such a motivational effect to non-family managers, thereby creating a great asset for the family firm as a whole (Pierce et al., 1991; Henssen et al., 2014). Hence, it is deemed important to nurture a strong sense of psychological ownership among both family and non-family managers.
Specifically, there are three main routes leading toward the formation of psychological ownership – intimate knowledge of the firm, self-investment in the firm and a sense of control over (parts of) the firm (Pierce et al., 2001). Although each of those routes plays an important role within family firms (Gomez-Mejia et al., 2007; Sieger et al., 2011), especially a sense of control, the ability to influence the course of the company, is known to lead to increased feelings of psychological ownership (Hall et al., 2001), and thereby to motivation.

In general, both family members and non-family members working for a family firm have a higher sense of control and higher feelings of psychological ownership than individuals working for non-family firms. On the part of the family members, family firm owners often attach greater importance to maintaining control over their company than non-family owners (Ward, 1988; Miller and Le Breton-Miller, 2005; Croci et al., 2011; Mullins and Schoar, 2016; Thiele, 2017). As a result, this high degree of family control gives rise to a strong sense of psychological ownership among family owners (Pierce et al., 2001). Furthermore, as many family owners regard their non-family managers as “quasi-family” (Miller and Le Breton-Miller, 2005; Karra et al., 2006), this leads the family to delegate more responsibilities to non-family managers. Since control options and psychological ownership are interconnected, such delegation of responsibilities from family owners is expected to strengthen the non-family managers’ sense of psychological ownership.

However, although granting individual control or autonomy to non-family managers may stimulate psychological ownership (Chi and Han, 2008; Liu et al., 2012) and motivation, existing research provides little insight into the potentially detrimental side effects of doing so. Whereas the existing literature has focused on the beneficial effects of (sense of control and) psychological ownership on motivation, some authors have pointed to the potential negative effects of psychological ownership (Brown et al., 2014). Such negative consequences may include, among others, psychological owners protecting and refusing to share “their” accumulated knowledge and experience, thereby hampering effective team work and decision making (Pierce et al., 2001; Brown et al., 2014). Furthermore, psychological owners may start to focus strongly on preserving the status quo by resisting change and innovation (Pierce et al., 2001). With both family and non-family psychological owners protecting what they perceive to be “theirs,” the family firm may become a battlefield of conflicting interests. The current literature calls for additional insight in how non-family managers function within family firms (Sharma, 2004; Yu et al., 2012; Benavides-Velasco et al., 2013). In particular, the non-family managers’ perspective on delegation of control by the family and the related interaction between them and the family owners has received relatively little attention. In this paper, we therefore contribute to the family firm literature by explicitly taking into account how non-family managers experience the distribution of control in the family firm by investigating in detail how (sense of) control, psychological ownership and motivation of both family members and non-family managers are interrelated.

Our empirical approach consists of a multiple case-study analysis of transfers of control from family to non-family managers in five Flemish family firms. Based on our interviews with 15 family and non-family members, we find that family members are frequently willing to grant non-family members operational autonomy but limit non-family managers’ participation in strategic decision making. We find that when family owners limit such delegation of control, demotivation on the part of non-family managers ensues. We argue that transforming non-family members into psychological owners raises those managers’ expectations about their role in the company. In particular, they start to feel entitled to more control. This leads to a situation where non-family managers are striving to acquire more control over the company while family owners are striving to protect their level of control over the family business. As a result, both parties’ expectations come into conflict. Additionally, non-family managers may become
demotivated when family owners set limits to non-family managers’ participation in the company’s decision making process because of this control protection. Based on our qualitative study, we hence formulate the proposition that “non-family managers’ psychological ownership in family firms conflicts with family owners’ desire to maintain control.”

This study contributes to the family firm literature by explicitly taking into account how non-family managers experience the distribution of control in the family firm, thereby answering the calls to seek additional insight in how non-family managers function within family firms (Sharma, 2004; Yu et al., 2012; Benavides-Velasco et al., 2013). By shedding light on the complex relationship between (sense of) control, psychological ownership and motivation in family firms, our research responds to the call for more empirical validation of the psychological ownership framework (Pierce et al., 2001; Liu et al., 2012; Dawkins et al., 2017), particularly in a family firm context (Dirks et al., 1996). Moreover, our findings highlight the importance of taking into account not only the advantages but also the disadvantages of stimulating psychological ownership and thereby address calls for research into the potential negative effects of psychological ownership in the family business (Brown et al., 2014; Ramos et al., 2014). These insights have important implications for practitioners.

In the following section, we provide an overview of the relevant literature, where we elaborate on the role of psychological ownership and control for motivation in the family business, both on the part of family owners and non-family managers. Subsequently, we explain how we collected and analyzed our data. We continue with the presentation of our findings. Finally, we point to the main implications of our findings, discuss the study’s limitations and suggest interesting avenues for future research.

2. Literature review
In this paper, we aim to better understand how the (sense of) control, psychological ownership and motivation of family members and non-family managers interrelate. In essence, psychological ownership indicates someone’s sense that a company or a job is “mine” or “ours” (Pierce et al., 2001; Pierce and Jussila, 2010). In addition, family members may also experience a sense of psychological ownership of something less tangible, like the entrepreneurial spirit of the family firm (Salvato et al., 2010). Among the many perspectives that help us understand family businesses, the psychological ownership framework stands out for two reasons, both of which we will elaborate on at the start of this conceptual framework. First, we discuss psychological ownership’s close fit with a family firm’s DNA (Ilävalko et al., 2008; Rantanen and Jussila, 2011) and, second, we clarify psychological ownership’s potential to propel the family business forward.

Compared to non-family firms, the family business environment often provides fertile ground for the emergence and promotion of a strong sense of psychological ownership, not only among family owners but also among non-family managers. Specifically, Pierce et al. (2001) identify three motives or “roots” of psychological ownership – the pursuit of efficacy, self-identity and having a “home” – and three main routes leading toward the formation of psychological ownership, namely acquiring intimate knowledge of the business, self-investment in the firm and gaining a sense of control. Each of those routes and roots encompasses goals or characteristics most family firms hold dear (Gomez-Mejía et al., 2007; Steier and Miller, 2010; Sieger et al., 2011), making the concept of psychological ownership highly relevant in a family firm context. For example, family owners often strive to keep long-term control over their company (control route) (Gomez-Mejía et al., 2007) and offer many opportunities for family members to get actively engaged in the business (self-investment route), which, in turn, allows passing on skills and traditions to new family generations (intimate knowledge route) (Steier and Miller, 2010).
Among those different routes toward psychological ownership, it is first and foremost the sense of control that plays a prominent role for family businesses. Notwithstanding the considerable heterogeneity within family firms, one of the main features that frequently sets them apart from their non-family counterparts is the family owners’ strong desire to protect their strategic and financial control (Berrone et al., 2012; Thiele, 2017). Maintaining financial independence is crucial for many family firms (Ward, 1988; Miller and Le Breton-Miller, 2005), as is their desire to preserve a high level of equity ownership within the family (Mullins and Schoar, 2016). For example, the literature points to family firms’ preference of internal over external financing as well as to the family’s preference of external debt financing over external equity financing (Romano et al., 2001). Hence, when family businesses do turn to outside funding, they choose debt financing more often than non-family firms and equity capital less often, as the latter decreases their control (Croci et al., 2011). In summary, much of the literature links family owners’ psychological attachment to the company to their insistence on preserving a high level of control. In turn, the family’s consistent practice of being firmly and actively in control, rather than merely having formal ownership of the company, can be expected to give rise to a strong sense of psychological ownership (Pierce et al., 2001).

Family owners’ unique insistence on maintaining control is one important reason why there is an excellent fit between psychological ownership and family businesses but it is only part of the story. There is a second important area where the psychological ownership framework proves its worth, namely by shedding light on the role of non-family managers in the family firm and how they can benefit the family firm. The psychological ownership framework is particularly well suited for such analyses, as not only legal (family) owners but also non-family managers can become psychological owners (Wagner et al., 2003). An increased understanding of how non-family managers function within family firms, and what their expectations are, can only serve to benefit both the managers and the family firm (Sharma, 2004; Yu et al., 2012; Benavides-Velasco et al., 2013).

Not only does family ownership often coincide with a strong family sense of psychological ownership, but at the same time, many family owners regard their non-family managers as “quasi-family” (Miller and Le Breton-Miller, 2005; Karra et al., 2006), which leads the family to delegate more responsibilities to non-family managers. Since control options and psychological ownership are interconnected, such delegation of responsibilities from family owners strengthens the non-family managers’ sense of psychological ownership. This is important for the company as a whole, since one of the crucial consequences of psychological ownership is its motivational effect (Pierce et al., 1991; Henssen et al., 2014). Specifically, a psychological owner tends to protect “his” company or job and wants to make it prosper. Hence, such psychological owners will behave more like stewards (Zhu et al., 2013). Likewise, family firms with an organizational culture that fosters an open and respectful internal dialogue can accumulate a considerable amount of “psychological capital” from their managers (Memili et al., 2014). Such a warm and friendly work environment strengthens the bond between non-family managers and the family firm in which they work and motivates them to go the extra mile in order to help the company prosper (Bammens et al., 2015). As such, the psychological ownership framework could explain the recurring observation that family firms are deemed to have an advantage over non-family firms when it comes to motivating their employees (Dawson, 2012).

Because non-family managers’ sense of psychological ownership inspires strong motivation, a wide proliferation of psychological ownership among those managers can prove to be a tremendous asset for the family firm. One of the principal ways of stimulating psychological ownership is to delegate responsibilities from family owners to non-family managers, since providing control options and psychological ownership are interconnected. Just as having control is a potential source of psychological ownership for
family owners, so is granting individual control to non-family managers and involving them in decision making a source of psychological ownership and motivation for those outside the business family (Dirks et al., 1996; Kets de Vries and Balazs, 1998; Isaksen, 2007; Chi and Han, 2008; Liu et al., 2012). In turn, such sharing of power between family and non-family managers leads to a loyal and dedicated management team and a more successful and flexible family firm (Zahra et al., 2008; Patel and Cooper, 2014). Similarly, the literature on perceived organizational support stresses that companies need to value and take into account their employees’ contributions in order to enhance those coworkers’ sense of well-being (Baran et al., 2012). Coworkers’ active participation in decision-making processes raises both job satisfaction (Goñi-Legaz and Ollo-López, 2017) and the level of commitment those coworkers feel toward their company (Scott-Ladd et al., 2006; Riggle et al., 2009; Park, 2015), which ultimately leads to better employee performance and lower employee turnover (Riggle et al., 2009). In practice, such coworker participation in decision making can take many forms, ranging from non-family managers providing feedback on company processes to having the autonomy and control to make actual decisions (Goñi-Legaz and Ollo-López, 2017).

In this paper, we contribute to the scarce literature on inter-family transfers of power, i.e. transfers of power from family owners to non-family managers, by analyzing the psychological effects of delegating control from family owners to non-family managers. While the family firm literature pays considerable attention to the concentration or delegation of power and control (Hall et al., 2001), the main focus remains on intra-family transfers of control (Debicki et al., 2009; Litz et al., 2012), where intergenerational changes to the balance of power may lead to tensions, conflict and resistance (Hall, 2003; Mitchell et al., 2009; Henssen et al., 2014).

The foregoing shows that family firms provide a fertile ground for the development of a strong sense of psychological ownership and, hence, motivation for both family owners and non-family managers. There is, however, one crucial caveat, which is largely ignored in many empirical analyses of psychological ownership. Despite the existing literature on psychological ownership’s beneficial effects, current research leaves several important questions unanswered, especially regarding the potential negative effects of psychological ownership amongst non-family members in the family business (Brown et al., 2014; Ramos et al., 2014). For example, delegating control from family owners to non-family managers may create resistance among family members (Baer and Brown, 2012), thus setting the stage for possible demotivation and conflicts between family owners and non-family managers. Family owners’ psychological ownership and desire to protect their own level of control over the family business may urge them to preserve the current status quo (McIntyre et al., 2009). Therefore, as the family limits further delegation of control, conflicts with their non-family managers may ensue (Patel and Cooper, 2014). In order to improve our understanding of these potential negative effects, we want to investigate in detail how (sense of) control, psychological ownership and motivation of both family members and non-family managers are interrelated.

Before describing our own interview-based findings, we first elaborate on the methodology in the next section.

3. Methodology
We opt for a multiple case-study approach through personal interviews as the subject at hand requires insight in the motivation and decision processes of the people involved (Lewis and McNaughton Nicholls, 2014). Qualitative research not only has a great potential to generate new insights but it also allows practitioners to more clearly distinguish between cause and effect (Miles and Huberman, 1994). Furthermore, qualitative methods are appropriate when dealing with complex issues or processes (Ritchie and Ormston, 2014).
Yin (1989) describes a case study as an empirical research method that uses multiple sources to study a phenomenon within its natural environment. Case studies are an appropriate research method when the boundaries between the phenomenon that is analyzed and the context surrounding it are vague (Yin, 1989) and are perfect for answering “how” and “why” questions and for studying dynamics within organizations (Eisenhardt, 1989; Chetty, 1996). Specifically, qualitative research in family firms offers an opportunity to fill a research gap by analyzing how psychological ownership influences both family members’ and non-family members’ behavior in the organization (Sieger et al., 2013).

3.1 Data collection
We initially selected nine firms from a previous survey of 120 Flemish family businesses. All respondents were CEOs of small, mid-size and large family firms in the Flemish speaking part of Belgium. As outlined before, we explicitly focused on the control-related dimensions of organizational change as they emerged from the rich case materials. As we focus on the consequences of transfers of control from family owners to non-family managers, we purposively selected nine family firms that had introduced a new CEO or new methods for organizing responsibilities and powers of decision within the enterprise, as indicated in the original survey. In order to maximize the potential for diversity with regard to the sense of psychological ownership, we specifically set out to collect data not only from family owners but also from different family generations as well as from non-family managers. Hence, we opted to only contact family firms with at least several employees and with family managers or owners from the second generation or higher to enhance our chances of being able to interview a wide variety of different stakeholders within each company.

Subsequently, each of those nine companies was contacted via an introductory e-mail and/or telephone call explaining the current research topic and setup. The CEOs were asked whether they would like to participate, which five of them agreed to do. Finally, each CEO was asked to suggest additional interview partners within their company and/or within the family. This process of purposive and (internal) “snowball” sampling (Warren, 2001) eventually yielded a total of 15 interviews with different stakeholders. No company in our sample has more than 48 full-time employees; hence, they can all be considered small enterprises. Table I lists an overview of the respondents. All interviews were performed by the first author between December 15, 2014 and March 26, 2015. The interviews ranged from 30 to 75 minutes and were all recorded and transcribed afterwards.

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<th>Company</th>
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<td>Services</td>
<td>Non-family manager (CEO)</td>
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<td>B</td>
<td>Manufacturing</td>
<td>Family owner (CEO), 1st generation</td>
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<td>C</td>
<td>Services</td>
<td>Family owner (director), 2nd generation</td>
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<td>D</td>
<td>Manufacturing</td>
<td>Family owner (CEO), 2nd generation</td>
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<td>Manufacturing</td>
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<td>1 non-family manager</td>
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Table I. Sample overview
In addition to the interviews, we obtained secondary data regarding the companies’ history, structure and activities from internet and media sources, as well as from the companies’ websites and annual reports. Those secondary data helped us in further understanding the companies’ past and present situation and the environment they operate in.

3.2 Interviews

We opted for semi-structured interviews as this allowed us to combine within-interview flexibility with a guiding structure that preserves between-interview consistency (Arthur et al., 2014). At the start of the interviews, the respondents were asked to describe the internal transfers of responsibilities since they joined the company and to clarify their position in the company. A second set of questions probed the respondents’ sense of psychological ownership, both in the company in general as during the periods when control was internally transferred. By asking the respondents whether they considered the company or part of it to be “mine,” “theirs” or “ours,” we were able to get a good indication of their sense of psychological ownership (Pierce et al., 2001; Pierce and Jussila, 2010). The last set of questions was aimed at investigating the interaction between their sense of psychological ownership and the transfers of control. This involved asking multiple in-depth questions about the reasons behind the respondents’ reactions to the distribution of responsibilities.

3.3 Data analysis

With our research questions in mind, we used the literature review to identify an initial list of key concepts and determinants, i.e. first-order codes, which could help us to describe and analyze how individual control, psychological ownership and motivation are interrelated. As a first step toward analysis, all interview transcripts were reread by the first author and sections of the interview transcripts that were of particular interest to the research questions received short, descriptive code labels to group them into one or more categories and to aid later within-case and between-case analyses (Eisenhardt, 1989; Spencer et al., 2014). While reading the transcripts, we expanded that literature-based list with additional labels that seemed relevant. This process allowed us to incorporate determinants that surfaced during the interviews but were more nuanced than the ones from the literature review, resulting in a more open-minded and reality-based coding scheme (Miles and Huberman, 1994). Furthermore, such an abductive approach or “systematic combining,” where “empirical observations inspire changes of the view of theory and vice versa” (Dubois and Gadde, 2002, p. 558), lends itself to more fruitful analyses of case studies.

Following the concepts of “hierarchical coding” (King, 2012) and “pattern coding” (Miles and Huberman, 1994), we then grouped related first-order code labels and created more general, higher level code categories. This second-level coding resulted in four broad topics, namely, control, psychological ownership, benefits and drawbacks. Two other authors independently from the first author went through the same process, applying the first- and second-level labels. Their results were subsequently compared to those of the first author and the differences were discussed until a consensus was reached. Table AI presents an overview of the relevant first- and second-order labels applied to the interview transcripts, each with representative quotes from our interviews.

Subsequently, all those sections of the interview transcripts with identical second-order codes were grouped by company. This created an overview of what different interviewees within the same firm had said about the same subject (e.g. autonomy in the firm). These overviews formed the basis for within-case analyses in order to find important overall patterns within each company (Eisenhardt, 1989). Both the first- and second-level codes helped identify commonalities and differences and aided in structuring the findings. When additional details or clarifications were necessary, we again revisited the full
interview transcripts. After the within-case analyses, we proceeded to between-case analyses to learn from the similarities between the companies, as well as the differences between them (Eisenhardt, 1989). The second-level codes formed the primary categories for our between-case analyses.

4. Findings

4.1 Family owners’ sense of control and psychological ownership

In line with the literature (Gomez-Mejía et al., 2007; Berrone et al., 2012; Thiele, 2017), our interviews with family owners confirm the family’s strong adherence to control. In terms of legal share ownership, all five companies we visited were fully family owned, with transfers of ownership limited to intra-family transfers. None of the family interviewees indicated the possibility of non-family members obtaining company shares. On the contrary, one non-family manager’s explicit proposal to buy company shares had previously been rejected by the family CEO, mirroring business families’ insistence on financial independence as reported in the literature (Ward, 1988; Miller and Le Breton-Miller, 2005; Mullins and Schoar, 2016).

At the same time, we observed that the family’s consistently high level of control within all five companies did not give rise to a uniform sense of psychological ownership among the family members. In other words, even though all family members enjoyed substantial control, not all of them considered themselves to be psychological owners. Instead, we spoke to some family executives with a strong sense of psychological ownership, while other family owners were much more reserved:

I have three children, the third one being the company. (Company B, family owner)

We [siblings] are owners but I don’t feel like an owner. (Company C, family owner)

Hence, being part of the business family does not automatically translate into being a psychological owner. This is in line with Pierce et al.’s (2001) findings that legal ownership and psychological ownership are not necessarily intertwined. Legal ownership among family members may exist in the absence of psychological ownership and vice versa.

Equally important, however, is the question how psychological ownership relates to non-family managers in the family firm.

4.2 Non-family managers’ sense of control and psychological ownership

Our subsequent interviews with non-family managers yielded remarkably similar results regarding the importance of control and their sense of psychological ownership. As was the case for the family owners, we found that non-family managers’ perspective on control was strongly linked to their sense of psychological ownership. This finding corresponds to insights from the literature, indicating that control, i.e. individuals having the autonomy to make their own decisions, is one of the main “routes” leading to a sense of psychological ownership (Pierce and Jussila, 2010; Rantanen and Jussila, 2011; Sieger et al., 2011).

We noticed that non-family managers with higher levels of ambition in particular, i.e. those with a strong personal desire for autonomy and control, developed a sense of psychological ownership when those desires were granted. It quickly became evident that many of them expressed a strong sense of psychological ownership, even in the absence of actual shareholdership:

Everything [in the multinational] that happens regionally, remains regional, as if it were my SME. Basically, I’m a family CEO. (Company A, non-family manager)

For many years, I worked as if I was an owner. Many people asked me whether it was my company. (Company D, non-family manager)
This further confirms that being a legal shareholder of the founding family is not the only predictor of the presence of a sense of psychological ownership and that the psychological ownership framework also applies to non-family managers (Wagner et al., 2003).

### 4.3 Psychological ownership’s motivational effect

Having established that not only family owners but also non-family managers can experience a clear sense of psychological ownership, we proceed by examining its effects. In particular, the literature mainly focuses on the benefits by highlighting psychological owners’ strong motivation to propel “their” company forward (Pierce et al., 1991; Henssen et al., 2014; Bammens et al., 2015).

Our own interviews clearly corroborate the positive link between psychological ownership and work-related motivation. Our conversations with family owners consistently showed those family members with the strongest sense of psychological ownership also to be the most driven and passionate:

> The challenge of directing my 17 people each day, gives me a boost. It gives me satisfaction. (Company B, family owner)

> My father also directs the succession process. He’s best placed to do it, he is the pater familias, the company is his fourth child. He is very motivated and positive. (Company C, family owner)

Equally important, however, is that we received the same message from the non-family managers. As the previous section showed, company A’s non-family CEO had a strong sense of psychological ownership. This coincided with a very pronounced motivation to propel the company and the people forward. Although he works for a family owned multinational, he is nevertheless one of the few national non-family CEOs closest to the family owners and the driving force behind the creation of the multinational’s advisory board. His main mission is to “take people to a higher level,” which he told us gives him a “huge boost.” Moreover, he extends this drive outside the company, by actively coaching 15 SMEs in a regional entrepreneurial network organization.

We noticed a similar sense of motivation in one of company D’s non-family managers, who professed a close personal bond with the family CEO and who indicated that, especially during his first years in the company, he/she would have done anything for the firm or for the family owners. In fact, he/she regularly and gladly worked late hours and during the weekends:

> I was closely involved in production, I knew a lot, I saw a lot. It was partly mine. […] That feels good. (Company D, non-family manager)

### 4.4 Family owners’ resistance to delegation of control

With high individual control stimulating psychological ownership and ultimately motivation, we next turn our attention to the sharing of control between the company’s family owners and their non-family management.

Among the family owners we interviewed, there was general agreement that non-family members are a precious resource for the family firm and that it is in the company’s best interest to grant non-family managers a certain level of autonomy and control. Hence, the family owners in our sample echoed findings from previous research (Zahra et al., 2008; Patel and Cooper, 2014; Sanchez-Famoso et al., 2015) and clearly acknowledged the importance of delegating control to their non-family managers, as demonstrated by quotes such as:

> You need to have the courage to delegate, sometimes that’s the only way to progress. (Company E, family owner)

> You can’t expect people to feel involved if you don’t involve them in anything. Having them assume responsibility also means granting them responsibility. (Company B, family owner)
However, in spite of the family owners’ expressed willingness to transfer decision-making powers, it was quite clear that in reality, there are important limits to the family’s willingness to delegate control. More specifically, the family members in our sample drew a clear line between two different levels of decision making, namely, the operational level vs the company-wide, strategic level. Although non-family managers were actively encouraged to assume operational responsibilities, the same did not apply to responsibilities on the company level. Instead, many family owners viewed decisions on the highest level, where the company’s strategic course and the main goals are set, as their exclusive authority. Further questioning revealed this stance to be primarily rooted in the family owners’ desire to first and foremost protect their sense of autonomy and control. As one of the family owners puts it:

If I had to make a living some other way, it would need to be in a similar structure, with me in charge. (Company B, family owner)

Moreover, most family owners considered it quite obvious that the two levels of control should be treated differently. Hence, because the family owners considered the preservation of strategic control within the family to be self-evident, they understood “delegation of control” to non-family members to be limited to the delegation of operational control. As two family owners put it:

I wish to delegate and to give more autonomy but I also want to create a structure that allows me to exercise some control. (Company E, family owner)

In the end we [the family] decide because this is not a democracy. But you do send a democratic signal and you take into account employee feedback. (Company B, family owner)

This stands in stark contrast to the non-family managers’ perception. More specifically, most our non-family interviewees told us that family owners were (too) reluctant to delegate (strategic) control:

I think sometimes the family is afraid to delegate. They always reason “What we do ourselves, we do better.” (Company D, non-family manager)

I think many people [struggle to understand] that you have to give in order to receive more. This is even more so for family owners, also in this company. It is incredibly hard for the family to just let go once in a while. (Company A, non-family manager)

4.5 Non-family managers’ sense of entitlement of control

Our findings that “control” is often perceived differently by non-family managers than by family owners echoes other research that found a similar discrepancy between employees and employers on what participation in decision making should really entail (Scott-Ladd et al., 2006). By itself, the difference in perspective between family owners and non-family managers seems trivial but, in practice, it rarely is, especially when the family firm’s non-family managers have developed a strong sense of psychological ownership throughout the years.

During our interviews with both family and non-family members, we noticed a distinct feedback loop from psychological ownership to control. In particular, we observed that the interaction between both does not stop once a sense of control has led to psychological ownership. Instead, a strong sense of psychological ownership now urges the non-family managers to protect their acquired level of control or even leads them to desire additional, strategic control. In other words, many of the non-family managers developed a sense of entitlement to control, especially control at the company’s strategic level:

Promoting my most important [non-family] coworkers to the board of directors went very well. […] When doing so, we tried to avoid people invading other persons’ territory and that was the biggest problem. (Company C, family owner)
I have worked here for 20 years now and while I have more responsibilities than in the past, I would like to do even more. (Company D, non-family manager)

The other non-family manager in company D recalled a series of attempts by the family owners to hire a high-level sales manager and explicated that his main concern during that time was the potential loss of control and decision making authority this could entail for him. That concern was allayed once it became clear that the coordinating position would be filled by a family member known to respect other people’s experience and input.

Similarly, company A’s non-family CEO observed that, in order to realize his/her main personal objective of taking people to a higher level, he/she needed and expected to have the strategic control and authority to do so. If that were to become impossible, he/she stated that he/she would rather leave the company and seek opportunities to achieve his/her vision elsewhere.

4.6 Toward conflict and demotivation
We observe that when all the aforementioned elements come together, they set the stage for potential conflicts between the family firm’s family owners and its non-family managers. On the operational level, the family’s willingness to grant their non-family managers control and autonomy usually coincides with the non-family managers’ expectations and desires. However, for some non-family members, having mere operational control and no strategic control fell short of their expectations. Their perception of lower control options – especially at the strategic level – leads to a weakened sense of psychological ownership among those non-family managers (Sieger et al., 2011), which could ultimately lead to demotivation and to conflicts with the family owners (Patel and Cooper, 2014).

We observed that many non-family managers not only wanted operational control but also had a desire for control and participation on a higher, strategic level. It is their sense of psychological ownership that urges non-family managers to expect and protect a high level of strategic control as this allows them to protect “their” company. It is on that strategic level that conflicts may arise with the family owners, who want to protect their own strategic control over the company. The difference in perspective between family and non-family on what it means to delegate “control” may therefore cause resentment on the part of non-family members, who expect more than what the family is willing to offer:

We [brainstorming team] reached a point where decisions needed to be made and at that moment [the family CEO] said: “But now the [family] management will decide what to do.” Then I thought: “If that’s how it’s going to be, I’ll just shut up. What’s the use in doing this?” I think that’s a pity. (Company D, non-family manager)

At the same time, the family owners often remain unaware of any disappointment on the part of non-family members because the family is under the impression that it already delegates a sufficient and considerable amount of control, albeit operational control. As a result, the message we received from the family owners was markedly different from what the non-family managers told us, with only one family member indicating that there might be a potential problem:

What we try to avoid, even though we may not always succeed, is building a wall around the family. We try to do that by including other people in our board of directors. (Company C, family owner)

Overall, our interviews with family owners and non-family managers therefore lead us to propose the following:

P1. Non-family managers’ psychological ownership in family firms conflicts with family owners’ desire to maintain control.
5. Discussion

Overall, our interviews with family owners and non-family managers confirm important key findings from the literature that indicate that not only family owners but also non-family managers can develop a strong sense of psychological ownership (Wagner et al., 2003), which can then act as a powerful source of motivation (Pierce et al., 1991; Henssen et al., 2014; Bammens et al., 2015). Furthermore, we can clearly confirm the importance of being in control as a main prerequisite of psychological ownership (Pierce et al., 2001). Even though the other routes to psychological ownership, i.e. gaining information and self-investment, and were also acknowledged during some of the interviews, it was the control route that stood out as the primary source of psychological ownership. Nearly all interviewees that expressed a strong sense of psychological ownership indicated that those feelings were primarily caused by the opportunity for control they received and valued.

In addition to confirming the relevance of the psychological ownership framework for a family firm context, our interviews provided us with an enhanced insight into the complex interaction between psychological ownership, family control and non-family control. The results not only point to psychological ownership’s benefits but also to its drawbacks (Figure 1). Therefore, we believe we are able to make several relevant contributions to both the family firm literature and the literature on psychological ownership.

Although previous research frequently draws attention to business families’ strong adherence to control over their firm (Gomez-Mejia et al., 2007; Berrone et al., 2012; Thiele, 2017), while also acknowledging the importance of delegating control to their non-family managers (Zahra et al., 2008; Patel and Cooper, 2014; Sanchez-Famoso et al., 2015), the non-family managers’ perspective on these issues and the related interaction between them and the family owners has received relatively little attention. In this paper, we contribute to the family firm literature by explicitly taking into account how non-family managers experience the distribution of control in the family firm, thereby answering the calls to seek additional insight in how non-family managers function within family firms (Sharma, 2004; Yu et al., 2012; Benavides-Velasco et al., 2013).

What clearly emerges from our interviews, both with family owners and with non-family managers, is that control is much more intertwined with psychological ownership than could be assumed based on the theoretical literature. However, in order to understand that complex interaction, it is essential to look beyond the business family’s perspective on control by also taking into account the point of view of the company’s non-family managers.

![Diagram](image-url)
Specifically, the cases show a clear feedback effect from an individual’s sense of psychological ownership to control. Hence, non-family managers with a strong sense of ownership also develop a sense of entitlement, which not only leads them to protect the level of control they already have but also to expect additional strategic control on a higher company level. Those expectations, however, often clash with family owners’ desire to maintain strategic control over their company, which limits the family’s willingness to delegate control to non-family managers.

As our interviews reveal, the problem is compounded by the fact that family members often have a different perspective on control than their non-family managers. The family owners’ interpretation of “control” is usually limited to “operational control,” i.e. lower to middle level responsibilities in the company. However, many non-family managers also want to participate in strategic, high-level decision making. Hence, they interpret “control” as “operational and strategic control.” Much of that difference in perspective were never explicitly stated in the companies that we visited, which lead to misunderstandings and unfulfilled expectations. Although family owners genuinely feel they already devolve considerable responsibility and control, many non-family managers do not share that view. In part, our findings echo early research (Bailyn, 1985) pointing to the importance of clearly distinguishing operational autonomy from strategic autonomy since different individuals within the firm may desire different levels of control, depending on both personal and job characteristics. Hence, for some employees, the mere possibility of providing feedback may suffice while others may get demotivated if their feedback is not turned into action.

We argue that a mismatch between different perspectives on “control” poses a considerable problem for family firms, as it may cause resentment and conflict. On the one hand, conflicts need not always have a detrimental effect on performance. Task and process conflicts in particular, i.e. disagreements about the content of a task and how it should be done or delegated, may benefit performance and innovation (Jehn, 1997; Jehn and Bendersky, 2003). But, on the other hand, relationship conflicts may also lead to demotivation and a higher turnover of non-family managers (Patel and Cooper, 2014). On the part of family owners, families that are highly protective of their level of control may ultimately become averse to welcoming non-family members to their management team (Romano et al., 2001; Lutz and Schraml, 2011; Hiebl, 2013). Given the significant advantages of keeping non-family managers with a strong sense of psychological ownership on board, such aversion could quickly backfire. As non-family managers complement the skills and experience of the business family, they are a valuable human resource for family firms. By introducing non-family perspectives and skills, family firms are able to extend and diversify their professional network and their available resources. Hence, a resistance against non-family management participation in decision making risks excluding essential external expertise and could ultimately lead to a weakened family business (Patel and Cooper, 2014; Sanchez-Famoso et al., 2015).

Therefore, even though we find that delegating control from family to non-family stimulates the latter’s sense of psychological ownership and acts as a strong motivator, our results caution against a one-sided positive view. Instead, it is essential to recognize that the same sense of psychological ownership on the part of non-family managers may also give rise to conflicts and demotivation, especially when family owners impose limits to non-family control. In those cases, psychological ownership may become a liability instead of an asset. Hence, psychological owners may not always behave as stewards as the literature suggests (Zhu et al., 2013). For several interviewees, their sense of psychological ownership led them to primarily protect their level of control, rather than their company. As long as family owners allow their non-family managers to enjoy a high level of strategic control, there is no problem and the non-family managers will likely behave as stewards (Henssen et al., 2014). However, when they lose their strategic or even operational control within the firm, their stewardship behavior might also suffer or they may opt to leave the company altogether.
By shedding light on the complexity of psychological ownership in family firms, our research responds to the call for more empirical validation of the psychological ownership framework (Pierce et al., 2001; Liu et al., 2012; Dawkins et al., 2017), particularly in a family firm context (Dirks et al., 1996). Moreover, our findings highlight the importance of taking into account not only the advantages and but also the disadvantages of stimulating non-family managers’ sense of psychological ownership by delegating control from family owners to non-family managers. In doing so, we address calls for research into the potential negative effects of psychological ownership in the family business (Brown et al., 2014; Ramos et al., 2014).

6. Contributions to practice
For practitioners and managers, our findings stress that stimulating a widespread sense of psychological ownership is no perfect or easy recipe for success. Promoting a sense of psychological ownership throughout the company is indeed a strong motivator for non-family managers, but family owners should also consider the potential downside. Non-family managers with a strong sense of psychological ownership have strong feelings about how the company should be run. Therefore, they will expect to have a greater say in decision-making. This may benefit the company but may also hinder the cooperation between family and non-family.

The key is finding the right balance between the family owners’ desire to remain in control and the extent to which they want to propagate a sense of psychological ownership to their non-family managers. In other words, family owners need to weigh the downside of relinquishing a certain measure of control against the potential benefits of maximizing their non-family managers’ level of motivation. The optimal solution ultimately depends on the individual need for control of both family owners and non-family managers as well as on clear communication. Family firm owners need to gain as much information as possible on what their managers expect and on how specific organizational decisions will align with those expectations. This process ideally starts at the moment of recruitment or selection. Hiring ambitious new managers may propel the family firm forward but only when family owners are willing to allow the fulfillment of such ambitions by delegating a sufficient degree of control. Hence, there must be a fit between the personalities of family owners on the one hand and non-family managers on the other. Transparency and open communication are crucial to ensure that both parties know what to expect, not only at the moment of selection but throughout the managers’ entire career.

7. Limitations and suggestions for further research
In this paper, we argue that non-family managers’ psychological ownership in family firms leads to conflicts with the family owners’ desire to maintain control. This represents a verifiable proposition that future research can use as a starting point for more extensive empirical validation. Furthermore, given the considerable potential benefits of a strong and widespread sense of psychological ownership on family firms’ performance, future research should investigate how the family’s and non-family’s psychological ownership can be reconciled. More specifically, family firms could benefit from solutions that allow them to reap psychological ownership’s motivational benefits while keeping its drawbacks at bay.

During our analysis, we focused on the diversity of perspectives. Hence, we interviewed different people, with a variety of perspectives and positions in the family firm. Much of the information gained is based on managers’ recollections of the past and on their own interpretation, with hindsight, of the events. An alternative approach could be to perform longitudinal qualitative research, where a limited number of individuals are observed during a longer period in which responsibilities are delegated from the family to non-family managers. That way the individuals’ reactions could provide more insight into the complex interactions between them.
References


(The Appendix follows overleaf.)
Control

Centralization

“We hold a yearly management meeting, where we consolidate everything for the next year. That strategy meeting is directed by me” (Company A, non-family manager)

“In the end we [the family] decide because this is not a democracy. But you do send a democratic signal and you take into account employee feedback” (Company B, family owner)

“Usually we’re merely informed about who joins or leaves [the board of directors]. [...] They ask our opinion but actually the decision has already been made” (Company C, non-family manager)

“You also have purely operational people of whom you know that they will do what is being asked, but nothing more” (Company E, family owner)

“I wish to delegate and to give more autonomy but I also want to create a structure that allows me to exercise some control” (Company E, family owner)

“If you had asked me five years ago, I would have probably said ‘team management’ [with my mother and sister]. Now my opinion has changed: one captain on the ship” (Company E, family owner)

Decentralization

“You can’t expect people to feel involved if you don’t involve them in anything. Having them assume responsibility also means granting them responsibility” (Company B, family owner)

“What we try to avoid, even though we may not always succeed, is building a wall around the family. We try to do that by including other people in our board of directors” (Company C, family owner)

“The need to delegate to enough people is something you gradually learn” (Company D, family owner)

“I’m not a harsh changer that says ‘Now I’m in charge and this is how we will do it.’ I prefer to do it together” (Company D, family owner)

“We ask that everyone, within his job description, assumes responsibility and comes to work as if it would be his own company” (Company E, family owner)

“You need to have the courage to delegate, sometimes that’s the only way to progress” (Company E, family owner)

“Having a source of external pressure is an advantage. They have no choice but to change” (Company C, non-family manager)

“Everything that happens regionally, remains regional, as if it were my SME. Basically, I’m a family CEO” (Company A, non-family manager)

“I have three children, the third one being the company. In principle, your three children all evoke the same measure of passion and emotion” (Company B, family owner)

“Psychological ownership

“Psychological ownership

“We [siblings] are [legal] owners but I don’t feel like an owner” (Company C, family owner)

“I can truly say that this is really my domain. [...] I always said that, if I were to win the jackpot, I would invest in the company. I think that says it all” (Company C, non-family manager)

“My people are more important than my entrepreneurship. [...] The first thing I see here [in my company] is my vision and my mission” (Company D, family owner)

“For many years, I worked as if I was an owner. Many people asked me whether it was my company” (Company D, non-family manager)

“You can commit yourself to a certain company, as if it were your own,

Table AI.
Interview labels and quotes

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<tr>
<th>Drawbacks</th>
<th>Resistance to delegation</th>
<th>Quotes</th>
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<tbody>
<tr>
<td>Entitlement</td>
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<td>for as long as it gives you satisfaction” (Company E, family owner)</td>
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<td>“My father founded this company and I continue his dream. I certainly feel this to be my own company” (Company E, family owner)</td>
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<td>“I would consider myself to be a kind of owner of [product group]. I do a great deal for that [product group]” (Company E, non-family manager)</td>
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<td>“I have worldwide management experience, which allows me to signal the family that it might be time to accept some external influence. This is a very difficult topic” (Company A, non-family manager)</td>
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<td>“I think many people [struggle to understand] that you have to give in order to receive more. This is even more so for family owners, also in this company. It is incredibly hard for the family to just let go once in a while” (Company A, non-family manager)</td>
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<td>“If I had to make a living some other way, it would need to be in a similar structure, with me in charge” (Company B, family owner)</td>
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<td>“The problem in this company is that a lot of decisions are made within the family and even then some decisions are made without the knowledge of some family members” (Company D, non-family manager)</td>
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<td>“I think sometimes the family is afraid to delegate. They always reason ‘What we do ourselves, we do better’ ” (Company D, non-family manager)</td>
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<td>“My mother isn’t ready yet to really let go, to cut the ties with our company. You can muddle along for years like this” (Company E, family owner)</td>
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<td>“As more responsibilities should be transferred [from mother to daughter] we are actually moving backwards. […] It is now always easy” (Company E, family owner)</td>
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<td>“I have delegated a lot but I want to continue doing the financials. I don’t know why, I want that kind of commitment” (Company E, family owner)</td>
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<td>“Promoting my most important [non-family] coworkers to the board of directors went very well. […] When doing so, we tried to avoid people invading other persons’ territory and that was the biggest problem” (Company C, family owner)</td>
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<td>“[It created problems] because she wanted to present herself clearly as the primus inter pares and sometimes she did this in an awkward, forceful way” (Company C, family owner)</td>
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<td>“[Change is not always pleasant because some people reason:] I’ve been doing it like this for 15 years now and I did it well. I see that something needs to change but why does it have to be this? Precisely mine!” (Company C, family owner)</td>
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<td>“Sometimes it’s hard because everyone has his own territory, which no-one is allowed to enter. […] my decisions were sometimes revoked, counteracted or ignored by other directors, even though the decisions were mine to make” (Company C, non-family manager)</td>
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<td>“I have worked here for 20 years now and while I have more responsibilities than in the past, would like to do even more” (Company D, non-family manager)</td>
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<td>“During changes, a sense of ownership may help, when that person moves the change forward, but it may also cause him to become very protective towards the status quo and then he will counter the change. It can go both ways, it’s not the case that ownership should always be stimulated, that it is always a positive thing” (Company E, family owner)</td>
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Main concept | Sub concept | Quotes
---|---|---
Demotivation | (2nd-order label) | “Feeling left out of the decision process is the most frustrating thing” (Company B, family owner)
 | (1st-order label) | “When I’m in a job, I need to be able to give it all I have. I used to have that feeling of ownership very strongly and now it has diminished because I’m not sure whether I can still progress [within the company], as there are young people, who will become [legal] owners, getting ready” (Company C, non-family manager)
 |  | “We [brainstorming team] reached a point where decisions needed to be made and at that moment [the family CEO] said: ‘But now the [family] management will decide what to do.’ Then I thought: ‘If that’s how it’s going to be, I’ll just shut up. What’s the use in doing this?’ I think that’s a pity” (Company D, non-family manager)
 |  | “I now feel more like a manager running the show than like a real owner because of the succession process, which I think has been dragging on for too long” (Company E, family owner)
 |  | “It is precisely the succession process between different generations [proceeding too slowly] that demotivates me” (Company E, family owner)
 | Benefits | Motivation | “It is my personal mission to take people to a higher level. In doing so, I am also opportunistic because it gives me a huge boost” (Company A, non-family manager)
 |  | “The challenge of directing my 17 people each day, gives me a boost. It gives me satisfaction” (Company B, family owner)
 |  | “My father also directs the succession process. He’s best placed to do it, he is the pater familias, the company is his fourth child. He is very motivated and positive” (Company C, family owner)
 |  | “I was closely involved in production, I knew a lot, I saw a lot. It was partly mine. […] That feels good” (Company D, non-family manager)
 |  | “If people feel involved [in the decision making process] they will be much more motivated to implement [such decisions]” (Company E, family owner)

Table AI. Note: Text sections between “[ ]” denote this paper’s authors’ own phrasing, clarifications or omissions.

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