



Markku Ikävalko

**CONTEXTUALITY IN SME OWNERSHIP —
STUDIES ON OWNER-MANAGERS’
OWNERSHIP BEHAVIOR**

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ABSTRACT

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The purpose of this study is to deepen the understanding of the meaning of ownership in the context of small and medium sized businesses. The research on ownership has increased and widened during the last few years. Ownership is treated increasingly as a psychological phenomenon and it has been noticed that it is common for SME owner-managers to be mentally linked to their firms. Previous research is suggesting that the central role of an owner-manager in an SME is specifying the concept of SMEs, and that ownership is creating a great heterogeneity within SMEs. This study suggests that there is a variation within ownership behaviour of small business owners, and the variation is not totally random or irrational, but following the general patterns of business ownership and of doing business on an SME level.

This study is a concept analytical in nature and it builds on the theoretical clarification of the concept of ownership. The theoretical consideration concludes with proposing a definition of ownership: *Ownership means a subject's relatively sustaining position of control in regard to an object.* The empirical part of this study consists of five articles, out of which one is conceptual and four are empirical in nature. The notion of contextuality of ownership and the notions of SME characteristics form the basic premise of this study and the theoretical basis for the publications.

From the owner-managers point of view, ownership relates the owner also to his or her environment and therefore also to the valuations of the owner-managers. This means

that all the dimensions are not equally valued, but certain dimensions in his or her ownership are more important. The presented empirical research is supporting the claim that there is a variation within ownership behaviour of small business owners.

When bringing the definition of ownership onto a personal and psychological level and into the SME context, it was noticed that ownership is not only a closed system phenomenon occurring between the owner and object owned, but it is also elementarily connected to the environment. Ownership - along with the psychological side of it - is a contextual phenomenon where the fundamental factor is the relatively sustaining position of control with regard to an object. As a contribution of the study, this definition is bringing a new point of view to the discussion on SMEs, SME strategic behaviour and family businesses. The study concludes with pointing out directions for future research.

Keywords: Small and medium sized enterprises, family businesses, owner-managers, ownership.

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PART II: PUBLICATIONS

1. Ikävalko Markku & Pihkala Timo (2007) Psychological Ownership in Family Businesses – A “Value-Values” Extension. 3rd EIASM Workshop on Family Firm Management Research. Jönköping, Sweden, June, 2007
2. Ikävalko Markku, Pihkala Timo & Kraus Sascha (2010). The role of owner-managers’ psychology of ownership in SME strategic behaviour. *Journal of Small Business and Entrepreneurship*. Forthcoming.
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Markku Ikävalko's contribution to the publications:

Publication 1:

Made the research plan. Developed the theoretical framework. Main author.

Publication 2:

Made the research plan. Coordinated the writing of the paper. Developed the theoretical framework. Developed and tested the methodological solutions. Conducted data gathering. Analyzed the data analysis and interpreted the empirical results together with the second author. Wrote most of the paper.

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PART I: OVERVIEW OF THE DISSERTATION

1. INTRODUCTION

“We must be systematic, but we should keep our systems open.”

Alfred North Whitehead, Modes of Thought

1.1. Background

Small and medium sized enterprises (SMEs)¹ usually cover a significant part of the business population in national economies. Thereby SMEs also account for a significant share of national wealth and they bear a similar portion of the risk involved in doing business. SMEs are not only important to the economies, but naturally also for their owners. Along with the instrumental importance of doing business that enterprises have, owner-managers are reported to have strong mental bonds to their firms (e.g. Mintzberg, 1979; Kets de Vries, 1996; Bridge, O’Neil and Cromie, 1998; Gray, 2002; Woods and Joyce, 2003). It is stated that an SME constitutes both ends and means. It is a tool for doing business but it is also an entity of felt importance and something to be proud of – even if some aspects of firms are not only pleasant to their owners. All businesses do not prosper and succeed, as the bankruptcy figures and winding downs generally illustrate. Therefore, we could state that an SME as an object owned is a dynamic entity connected to time and place, offering something between opportunities and risks, success and failure, liabilities and debts – the whole variety between rags and riches.

The research on ownership has increased and widened during the last few years. Ownership is treated increasingly as a psychological phenomenon, in comparison to the former purely legal and economic view of the subject. There are a growing number of fields of human behaviour where research of ownership is related. This broadening and deepening research stream gives the basis for studying ownership of the multifaceted SMEs.

¹ Defined according the EU. Autonomous enterprises with less than 250 employees, turnover not more than €50 million and balance sheet total not more than €43 million.

The research on possessive feelings (e.g. Dittmar, 1992; Belk, 1988; Furby, 1980) suggests that it is common for people to feel a connection between themselves and various targets of possessions, e.g. homes, cars and other people. Pierce, Kostova and Dirks (2001, 299) noted “that people develop feelings of ownership towards a variety of objects, both material and immaterial in nature.” Thus it is possible to assume that there are several aspects and entities within SMEs that are potential targets of possessive feelings. Similarly the emerging theory on psychological ownership suggests that a feeling of something being “mine” occurs when the person gets intimately to know the target, controls it and/or invests “self” into the target (Pierce et al., 2001, 2003). These processes are very easy to imagine concerning an SME, where a person e.g. could have started up the company and is running it as an owner-manager.

Research on small and medium sized enterprises has grown steadily over the last few decades. Most of the researchers in small business have accepted the idea that SMEs bring specific challenges and that not all the lessons and precepts of big businesses can be applied to SME research (e.g. Penrose, 1959; Dandridge, 1979; Bygrave, 1989; Stevenson & Jarillo, 1990; Gartner, Bird & Starr, 1992; Gibb, 2000). This specificity thesis (Torrès & Julien, 2005) has become a point of an established doctrine over the last 30 years. A recapitulation of the distinctive characteristics of small businesses is provided by Bridge et al. (1998, 137-138):

- 1) *An absence of functional managers.* This stems from the limited number of management personnel. It may give a good overall view of management, but may also limit the development of specialised knowledge.
- 2) *On-the-job learning.* Small business owner-managers have often acquired most of their business knowledge on the job. The business systems are based on experience and are unlikely to be changed unless experience suggests it is necessary.
- 3) *Investments and resources.* Money invested in business is personal money. Often formal investment appraisal methods are not seen as being useful as a ‘feel’ for what is right. Time needed for formal ‘training’ and long-term strategy are not seen as useful.
- 4) *Discontinuities.* There are thresholds and discontinuities that do not occur in bigger firms. For example the production capacity and expenses may not be totally and correlatively interlinked, but may develop gradually and may be difficult to forecast.

5) *Owner's identification with the business*. There may be a link between owner's ego and the business. Perceived social status may be linked to business success and business problems may be played down or hidden.

6) *Values*. The values embodied in business may reflect those of an owner-manager and can be revealed for example in products or growth orientation. For the same reason, an owner's support network is likely to be based on personal friends and contacts, rather than on a formal support network.

These characteristics accordingly imply that a small business, and presumably a medium sized company too, form a specific case of ownership. There are potential links between the owner-manager and the business in several different ways. As different elements in SMEs are interlinked and as roles are so fundamental, it implies that there is a potential for overlap of different aspects also in SME ownership. For example it can be stated that an SME is simultaneously a target of ownership and a part of the context where ownership actions take place.

Pierce et al. (2003) propose that the potential for the development of psychological ownership resides in both the target and the individual and that its emergence and manifestation is also strongly influenced by situational forces. Van Dyne & Pierce (2004) and Mayhew et al. (2007) stated that psychological ownership is a context-specific phenomenon. This notion of contextuality along with the above mentioned notions of SME characteristics form one basic premise of this study. It is assumed here that SME ownership is legally, socially, individually and influentially connected to its environmental context. Second premise concerns the overlapping roles, processes and structures in SMEs. According to the above mentioned listing by Bridge et al. (1998) the overlap occurs potentially e.g. in managerial roles, in different processes, in time perspectives, between personal and business matters and between social and individual issues. This highlights the specificity thesis (Torrés & Julien, 2005) as it is challenging to utilize theories of business management building on the separation of basic entities in those theories. For example it may be challenging to use theories and research tools that build on the idea of separation of ownership and control (Fama & Jensen, 1983), as an owner-manager, as literally defined, takes care of both of these central tasks.

Focusing on ownership brings the researcher to a crossroads of two empirically rich streams of research. The status of the “economic man” is very strong in economics and business studies, as noted e.g. by Jussila (2007). Reason for this is clear: the existence and development of businesses offers a strong body of evidence. Similarly, psychology and social psychology focus provides definite evidence on human beings being complex with several different factors influencing their actions and existence. The “objective functions of private property and possessions as utilitarian instruments which provide for human physical needs” (Dittmar, 1992, 4) is present in the literature of possessive behaviour, but similarly evident are all the possible processes through which a person can feel a possessive feeling towards an object (e.g. Furby, 1978; Belk, 1988; Dittmar, 1992; Ahuvia, 2005; Mittal, 2006). Thus a firm can be both an economic apparatus and a target for different kinds of feelings. When analysing the challenge of studying possessive behaviour in the light of the concept “extended self”, Cohen (1989, 126) stated the following:

“Let’s consider a ... case of a farmer whose family has owned a parcel of land for generations and whose economic livelihood is perceived to be linked to the farm. At what point conceptually does the farm become incorporated into the farmer’s sense of self rather than being of great importance but still external to the self?”

This study deals with SME owner-managers ownership behaviour and it is suggested that the ownership be an important factor in the position of an SME owner-manager. The study builds on the concept of ownership and it is claimed that in the case of SMEs it is - most of all - about acting as an owner and not about “being” an owner. It is also suggested that there is a variation within ownership behaviour of small business owners, and the variation is not totally random or irrational, but following the general patterns of business ownership and of doing business on an SME level.

1.1.1. A short overview on ownership research

Ownership is evidently a challenging phenomenon; both an everyday phenomenon for its importance - in allocating resources and in dividing people to owners and non owners - and definite concept for researchers. Ownership is a multifaceted concept and

there have been several theoretical and methodological treatments of it in philosophy, law, finance, economics, and psychology throughout history. (Nordqvist, 2005)

The first mentions to ownership are made by the Greek philosophers such as Aristotle and Plato, and later commented and worked by Locke, Hobbes, Kant and Rousseau. (Reviewed by Grunebaum, 1987). These early thinkers were interested - besides ownership - in several different aspects of human behavior and human societies. The notions of ownership are connected to e.g. several ideological, theological and political views and discussions. The Greek philosophers sketched images of a desirable societies and ownership played an important role in those discussions. Later these thoughts were influenced e.g. by theological ambitions and further developed by philosophical schools of thought (Rudmin, 1999). The philosophical discussion on ownership has dealt with the necessity, role and functionality of ownership in societies. However, these writings have been criticized for their lack of empirical research and evidence as well as their unstructured use of terms and concepts (Becker, 1977). Friedman & Neary (2008, 839) stated that “The abstractness of ownership is also evident because attempts to explicate the rules of ownership make use of equally abstract concepts, such as rights, consent, and use.”

Ownership has naturally had a significant role in the research of economies and economic issues. It has been in focus in most treatises on the role of ownership and property in organizations. Early commentators like Adam Smith, Karl Marx and Max Weber discussed the role and function of ownership: property, allocation of resources, means of production, organizational forms, and governance were among discussed issues. These discussions dwell on macro level questions and they have a very visible positivist and quantitative approach as exemplified e.g. by Dittmar (1992) and Jussila (2007).

In the past two decades, the psychological viewpoint of ownership has been introduced, while the earlier streams of research on ownership mainly focused on the political, social or institutional roles of ownership (e.g. Pierce et al., 2001). The psychological aspects of ownership have been explored by anthropologists, psychologists, social psychologists, geographers, philosophers, animal behaviorists, consumer behaviorists, historians, artists, and students of life-span development, among others. (Pierce et al.,

2003). However, Dittmar (1992, 19) states that “work, which focuses on possessions and property from what can broadly termed a psychological perspective is fragmented and lacks theoretical integration.” Similarly the term “psychological ownership” which is frequently used in management studies seems not to have an established interpretation from the direction of psychology or social psychology (Mayhew et al., 2007).

Ownership and its elements have been visible in several studies on SMEs. One reason is obviously the preponderant role of the owner-manager have in specifying SMEs and in the whole SME research doctrine (Torrès & Julien, 2005). Legal ownership has always been of interest as it forms the framework for the economic activities and existence of the firm. Social aspects of SME management and social roles of SME owner-managers are also given scientific interest. Lately the psychological aspects, more specifically, the concept of psychological ownership has also been brought into the SME level – mostly from the direction of family business research.

The wide and multifaceted usage of ownership stems also from its conceptual core, from the very phenomenon itself. The most often reviewed definition of ownership by Grunebaum (1987) proclaims that “ownership is connected to the relationship between human beings and their actual surrounding, things and objects around.” This definition relieves the main challenge in studying ownership, namely the overall picture of ownership. The concept includes individual human beings, social and material relations, and objects potentially being owned. This brings several possible combinations and possibilities for interpretations or perceptions, and this is the cause of challenges; there are rather few concepts e.g. in business studies, where human beings and ownable objects are not included.

1.1.2. Need for ownership research at SME level

This study emanates from the growing interest on the phenomenon of ownership. However, the possibility to state ownership as a research topic is neglected, and it is not given thorough rigorous consideration. As ownership is often regarded as a static legal status, it has been seen as such unimportant and uninteresting. SMEs and the concept of entrepreneurship are not totally overlapping, but there are still some evident

connections in the usage of these terms. Entrepreneurship and ownership have been, ever since Schumpeter (1971), separated as distinct phenomena. The theory suggests that one does not need to be an owner in order to carry out entrepreneurial acts, and vice versa – it is not taken for granted that one needs to be or is entrepreneurial. This distinction may have caused a gap in small business research specifically concerning the role of ownership; even ownership has several connections to the being and nature of SMEs. Ownership is forming the base for the juridical formation of the enterprise, it is connected to the resources that the enterprise entails, it is also the economic body accumulating the profit (or loss), and it is the target of management that the owner-manager is running on a daily basis. Even ownership is thus defining an SME in several ways; there are surprisingly few focused studies on the issue.

The interest has been on ownership structure, ownership concentration and the size of legal owners or the size of management stockholding, i.e., ownership taken as a quantitatively measurable variable, and the qualitative characteristics of owners and ownership have not been taken into account (Amihud & Lev, 1981; Palmer, Jennings & Zhou, 1993; Denis, Denis & Sarin, 1999; Mayer & Whittington, 2004). Similarly Ravasi & Zattoni (2006) noted that studies on ownership assumed shareholders to have homogenous interests. This reveals an interesting contradiction in the contemporary treatise of ownership. Research is intuitively categorized according to the type of ownership in SME context - we have research on solo entrepreneurs, portfolio entrepreneurs, family businesses, network structures, owner-managed and listed companies. It is unquestionably assumed that the ownership structure offers a ratio for separating these groups. There is an assumption that the owners in these subgroups act similarly, but differently to owners in other groups. This contradiction in dealing with the concept of ownership calls clearly for further studies and clarification of definitions.

Previous research seems to suggest that the central role of an owner-manager in a SME is specifying the concept of SMEs and simultaneously that ownership is creating great heterogeneity within SMEs (e.g. Stanworth & Curran, 1976; Cooper and Dunkelberg, 1986; Hornaday, 1990; Westhead & Wright, 1998; Gibb, 2000; Ucbasaran, Westhead & Wright, 2001). Torrès & Julien (2005) pointed out that this kind of situation reveals an opportunity to clarify the inner nature of the concept of SME. A defining, but heterogeneity creating issue is definitely worth studying.

Ownership has not been studied as a separate research issue; even if it has a significant role in SME owner-managers work. Traditionally management studies and management literature deal with strategic level issues, but institutional level issues have had less consideration. However institutional level changes are relatively common and definitely important incidences in the lifespan of a company. Start-ups, acquisitions, winding downs, partnerships and network solutions have a significant impact on the destiny of SMEs. A large majority of companies are family businesses, in which ownership is forming the very core of the company. Similarly many SME owners do not own only one company, but instead a portfolio of companies. This managerial view on ownership highlights the need for further knowledge building.

Despite the absence of a single coherent definition of family businesses, it is possible to state that a large majority of all companies and thus a majority of SMEs are family businesses. Family businesses form an important and challenging element in SME research. Ownership has a central role in family business research and in family business theory building, but yet ownership has remained as rather undefined concept in family business research.

Rather little is known about SME owner-managers becoming mentally involved in their companies. The emerging theory of psychological ownership suggests that such a process is possible, but the influence of such processes is still unknown and unstudied. The concept of “escalation of commitment” (e.g. Staw, 1981; Brockner, 1992) is suggesting that such a phenomenon is possible, but how common it is and what are the consequences of such a state, is not known.

As mentioned earlier the research of ownership has moved from objective aspects to more subjective and psychological aspects during the last two decades. The main theory building in management studies emanates mainly from employee – organization settings. When bringing theories to new contexts, there is a need for careful consideration (Zahra, 2007). SME ownership is an open system phenomenon, where the owner and business are connected to the social and material environment in several different ways. Simultaneously an SME has a multifaceted nature as an object owned:

an instrument for doing business, e.g. a context for ownership actions, and a potential target for possessive feeling. Need for further research is eminent.

1.2. Research Objectives

The purpose of this study is to deepen the understanding of the meaning of ownership in the context of small and medium sized enterprises. This objective leads the interest towards three separate but interlinked challenges. The first one is named as the *conceptual challenge*, and in a form of a research question it can be expressed as follows:

How can the concept of ownership be defined for SMEs?

Tackling this challenge requires a thorough analysis of the concept of ownership and bringing it into an SME context. Similarly it includes considering the contextualisation of the psychology of ownership, and brings the ownership concept into family businesses, so far, separately treated, but a common case of SME ownership. This challenge also invites the researcher to observe the previous research dealing with SMEs and ownership.

The second challenge in studying the meaning of ownership in the context of small and medium sized businesses can be described as the *empirical challenge*. It can be stated as following:

How does the concept of ownership appear in the behaviour of SMEs and family owned SMEs?

This challenge emanates from the multifaceted but sound empirical appearance that ownership has in SMEs and in family owned SMEs. Ownership is defining these firms and is potentially having an impact on the behaviour through values, strategies and everyday actions. As ownership is such an important element in SMEs and family owned SMEs, it is evident, that ownership links these firms to their environments and to the outcome of their actions.

The ownership has no single definitional base, because existing research is fragmented in nature and the contemporary research focuses increasingly on the psychological aspects of ownership, the third challenge, *a systemic challenge*, concerns studying ownership at the SME level:

How does the ownership perspective fit into the research of SMEs?

1.3 Research strategy

This study is concept analytical in nature and it builds on the theoretical clarification of the concept of ownership. The main focus is given to the theory of ownership and its implications on SME research, on the research of psychological ownership and on the research of family businesses. Often different dimensions of ownership (e.g. legal ownership and psychological ownership) are presented as separate and independent variables (e.g. Pierce et al., 2001; 2003). However, previous research on SMEs suggests that the role of an owner-manager is central to an SME and, most importantly, that SME ownership is contextual in nature. There are several different elements and layers in ownership (economic, legal, social, individual and influential) and it is natural for SMEs that there is an overlap between several different entities. Thus contextuality in this research means that SME ownership is connected and related to its context, and that the circumstances of the context affect the role and nature of SME ownership. The concept analytical research presented in this study aims to find a common, linking definition for ownership.

The empirical studies are based on concept analysis, and they build on the idea of contextuality of SME ownership. However, there are no notable previous quantitative studies on this specific issue, so therefore the presented studies are somewhat explorative in nature. Their purpose is to clarify the basic components of ownership at SME level. The phenomenon and concept of ownership is studied in five different research settings, which are presented as examples of research building on the basic concepts presented in the theoretical part of this thesis. The explorative nature gets its justification from an assumption that SME ownership will appear totally randomly or irrationally. The society, history, economic processes and structures, social and

individual factors all influence the appearance of ownership. Ownership is an important and definitely a common phenomenon, and presumably there are evolutionary forces shaping the appearances of ownership. We may assume, that SME ownership rarely is a “forgotten” or a randomly shaped phenomenon.

The contextuality of the study can be illustrated in the form of Figure 1. The closed system interpretation of ownership contains only the subject, the object and the relationship between them. The open system interpretation of ownership places the subject and the object into a context of other individuals and other ownable objects. Thus there is not only a relationship between the subject and object, but also in regard to other individuals and ownable objects. Furthermore, it is assumed in this study that the contextuality of ownership becomes visible in SME ownership. From the owner-managers point of view, ownership relates the owner also to his or her environment and therefore also to the valuations of the owner-managers. This means that all of the dimensions are not equally valued, but that certain dimensions in his or her ownership are more important. As the owner-manager’s role is so central to an SME, it is assumed that ownership related values affect also the decisions and the outcome of business actions.

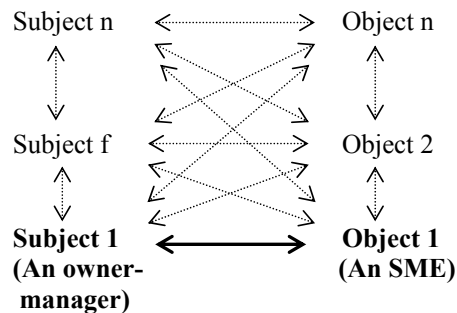


Figure 1. Contextuality and entities in SME ownership: owner-mangers, SMEs, social and material environment.

1.4 Outline of the study

This study consists of two parts. The first part gives an overview of the thesis, and the second part introduces the five complementary research publications. The overview in part one consists of four chapters. Chapter one provides an introduction to the research field: a short overview of research on ownership and the need for this kind of study; the research objectives and strategy of the study; and finally the outline of the study. Chapter two introduces the major concepts and theories on ownership research. Chapter three summarizes the contents of each of the five publications, and presents their major contributions. Chapter four concludes the first part by presenting the main theoretical implications of the study together with methodological and managerial implications and suggestions for future research in the field. Part two contains five research publications.

2. THEORY OF OWNERSHIP

2.1. An overview of the concept of ownership

The concept of ownership has several meanings. These meanings cover a wide range of connections and links starting from an existence of a single object and owner in a certain time and place into the whole historical development of human society. Ownership is a very common every day phenomenon - “involved when we buy, sell, trade, donate, find, lose, share, borrow, lend, beg, and steal” (Friedman & Neary, 2008, 830) It is also a fruitful base and fuels philosophical argumentations (e.g. Sartre, 1943). Similarly the research around ownership is wide ranging: “The concept of ownership is complex, involving aspects from various fields and disciplines. Just to give a few examples, the meaning of ownership has been widely treated within subjects like philosophy, law, finance, economics, and psychology.” (Nordqvist, 2005, 33)

Along with this wide usage of the ownership concept in research, it also forms a paradox as it is seldom explicitly defined in research, or ownership tends to be defined depending on the analytic purpose (Foss & Foss, 2001). One way of describing ownership is to consider it as a relationship between the subject (the owner) and the object owned. Grunebaum (1987, 3) presented one of the most popular definitions. He stated that: “*ownership is connected to the relationship between human beings and their actual surrounding, things and objects around.*“ In this statement he brings out two important elements in ownership. Firstly, he did not say that ownership is entirely a relationship, but that ownership is connected to the relationship. Secondly, he used the plural form of words in the definition. There are “*human beings and their actual surrounding, things and objects around*“ involved in ownership. Ownership is therefore not a closed system phenomenon with just one owner and one ownable object, but an open system phenomenon with several entities within their environments.

The owner in that definition is “the persons who are capable of owning things can be considered the subject of relation....owners may be single individuals or groups of individuals” (Grunebaum, 1987, 4). And further he stated: “things which are capable of being owned, henceforth ownables, can be considered the object of the ownership relation” (Grunebaum, 1983, 4). Similarly, as in the case of owners, there is also a

potential for great empirical variance in the objects owned. The objects owned may be something as small as a preferred seat in the company cafeteria, or as large as the organization or industry as a whole. (Pierce et al., 2003)

This notion of the entities involved in ownership brings out the potential variance in that phenomenon. All ownership is not the same because of the differences in the subject of the relation, in the object of the relation, or in the content of the relation. “Within any single specific form of ownership there is little reason to suppose that the content of the relation is exactly the same for all kinds of categories of ownables” (Grunebaum, 1987, 5). This point draws attention to the voluntary or elective nature of ownership. Despite some institutional elements linked to ownership, we can still claim that ownership is a socially constructed phenomenon. “There is nothing in the object owned that marks it off as mine, yours, ours.” (Grunebaum, 1987, 4). However, this does not mean the ownership would appear randomly within a complex network of loose entities without any rational reasoning by individuals. Even without going into deeper philosophical contemplations about the nature of the world, it is assumed in this thesis that human beings are dependent on their surroundings and that there is a difference between favourable and unfavourable states of being, and therefore, between favourable and unfavourable objects to be owned.

We may assume that not all the potential objects of ownership are favourable or desirable to the subject, or they are not favourable in the same degree. Similarly, as human beings like living organisms seek for favourable environments, there apparently is a process of selection and evaluation of potential targets of ownership. Therefore the properties of objects, subjects and the context have an influence on the phenomenon of ownership and to specific individual cases of ownership. If there is no variation in the desirability of objects, the whole system of ownership would be unimportant and the human societies could have not developed into the state they are today.

Ownership has a definite link to the concepts of **power and control** (Coase, 1960; Sartre 1969; Rudmin & Berry, 1987; Pierce et al., 2003). As Becker (1997) noted there is a constant scarcity of goods, and it brings a permanent element of competition into ownership. The control element in ownership was noted for example by Locke (1632-1704) who defined a concept of “private ownership”; the exclusive right of a person

over a thing (reviewed e.g. by Grunebaum, 1987, 9). However this illustration of ownership with total and perfect control over an object is not plausible in the empirical world. There are always other individuals involved in the system, as owners (Nordqvist, 2005) or members of other interest groups; all in all as members in power network influencing the net power the owner is having (Emerson, 1962).

In developed societies ownership does not occur as a one single body of right, but instead it has been described as bundle of ownership rights (Coase, 1937), or as a combination of rights, duties, privileges, no-rights, power, liabilities, immunities and disabilities (Hohfeld, 1964). Due to the importance of ownership for societies, there is actually a truncation of ownership rights (Demsetz, 1988). This means that as ownership forms a major factor in the actions of a society and economic life, all the outcomes of economic behaviour and ownership are not totally positive to society and therefore ownership is controlled and restricted by legislation. Monks and Minow (2004, 99) stated the following:

“Ownership is therefore a combination of rights and responsibilities with respect to a specific property. In some cases those rights and responsibilities are more clearly defined than in others. Much of the complexity that arises from ownership comes from the responsibility side of ownership.”

Even if there might be a solid reason behind these sets of rights and responsibilities from society’s point of view, it is still possible to claim that the *raison d’etre* of ownership is not in the responsibilities but in the rights (e.g. Demsetz, 1988; Underkuffler, 2003). The object owned is important to its owner as itself or as an instrument, through instrumental processes. Ownership is important as it creates the access to the source of importance of the object. Therefore the fundamental question in ownership is: what is the base for that position of control the owner is having in ownership? Where does it come from? Obviously part of the position of control comes from the relationship between the owner and object owned, but evidently a fundamental element is the owner’s position of control in that specific environment in regard to an object (Furby, 1980; Dittmar, 1992). Pierce et al. (2003, 89) stated that: “Control over the physical environment stems from control of the object, control over the use of the object, and use of the object as a mechanism to exert control over other parts of the

environment. Social control stems from being able to regulate others' access to or use of one's possessions.” Therefore there are two directions of power incorporated in the concept of ownership: towards the object owned and towards the social environment.

Emerson (1962) treats power as a social phenomenon with persons or groups acting in a power-network. This network is tied together with multiple power-dependence relations where dependence forms a source of power among individuals. In this system, the “net-power” means imbalance in dependence and power between actors. Thus Emerson defines power as the resistance that can be overcome. It is obvious that as a phenomenon, ownership is closely linked to human action in a social context. French and Raven (1959) distinguished the sources of power in a social relationship as following: reward power, coercive power, referent power, expert power and legitimate power. They similarly demonstrated the complexity of the power phenomenon. Crespi (1992) sees power containing individual, collective, socially constructed and “real” objectively existing elements. Lukes (1991) illustrated power with the terms “capacity” and “social relationship”, i.e. as potential and action.

There is one element in ownership, which separates it from power and which reveals that ownership is a social construct in nature: time. The connection between ownership and time have been noticed e.g. by Becker (1977), Underkuffler (2003) and Monks & Minow (2004). Ownership is connected to the understanding of time in a manner that is only possible for human beings. Ownership is a lasting phenomenon: something originating from the past, appearing in this moment of the present and continuing into the unrealized future. Recent research on the psychological side of ownership has revealed that ownership has a connection to the human ability to memorize. (Cunningham, Turk, Macdonald & Mcrae, 2008).

These notions of 1) relationships between human beings and objects, 2) control in regard to an object and 3) ownership continuity in time, guide us towards a definition of ownership. In this study ownership is defined as following:

Ownership means a subject's relatively sustaining position of control in regard to an object.

The term “relatively sustaining” means that even if ownership contains an idea of continuity, there is always a certain element of dynamism in ownership. If ownership is fixed there would be a need for targeting ownership; position of control means that the intensity or strength of control may vary. It is difficult state exactly which level of control is sufficient *an sich* to be named as ownership. Foss & Foss asked (2001, 21): “How much exclusivity over uses of assets is required before one is qualified as ‘owner’?”. Therefore we must recognize the element of relativity and contextuality in ownership. Dittmar (1992, 8) clearly points to the relativism of ownership “Material objects can only be viewed as possessions because we share a system of rules and ideas about them. And furthermore, the relationship between a person and her or his possessions always has reference to other people; s/he can lay exclusive claim to them only because other people do not.”

It has been noted by several researchers that when people have a sense of ownership, they experience a connection between themselves and the object owned (e.g. Dittmar, 1992; Belk, 1988). However it is possible to claim that it is not in the expression of “experiencing a connection” that defines ownership but eventually in the idea that person is having a relative sustaining position of control. Even if people would like to have several ownable objects, the ownership is separating people who have access to an object and from people who do not. Therefore it is possible to claim that to value an object or to desire to have an object is not *as such* a sufficient state for ownership. This kind of desire or motive may be a reason for maintain ownership or a reason for an attempt to get ownership, but are not forming the core of ownership alone.

As ownership is connected to the relationship between human beings and their actual surroundings, things and objects around, it is obvious that it is not only noticed and approved the subject (owner) only. Friedman & Neary (2007, 830) stated that: “ownership is social because we do not only think about what we own, but routinely reason what others own. Doing so allows us to avoid the social conflicts that would arise if we treated others’ property as our own or in other inappropriate ways, and is therefore essential for normal social interaction.” This leads us, along with the earlier notions of different elements of ownership, into separating different levels in which ownership can be noticed, i.e., noticed that somebody has a relatively sustaining

position in regard to an object. (Mattila & Ikävalko, 2003). These levels of ownership are:

- 1) Ownership at a social level. This includes communication and interaction between people and the outcome of understanding and acting.
- 2) Ownership at a legal (de jure) level. This is also a social construction, but characteristically more static and more or less intentionally developed and maintained by the society. Creates the most easily defineable form of ownership
- 3) Ownership at a personal, individual, psychological level. This means that the person knows, thinks or feels that s/he has a relative sustaining position of control in regard to an object. This level includes also the valuing the object, giving the ratio for the usage of the position of control.
- 4) Ownership in action, influence and outcome level. This refers to the process of generating a certain outcome using power and action with regard to the object of owning. This is a challenging concept in research as this differs from the other levels in terms of time.

Mattila and Ikävalko (2003, 3) stated that “the reality of the phenomenon of ownership is filtered through human perception and there are often numerous actions and several factors interacting constantly at all these four different levels in an ongoing processes.” This notion of several ontological levels in ownership is present in most writings about ownership (James, 1890; Furby, 1980; McCracken, 1986; Grunebaum, 1987; Belk, 1988; Sartre, 1989; Dittmar, 1992; Nordqvist, 2005). Etzioni (1991, 466) explicitly noted that property is “part attitude, part object, part in mind, part real”, thus implying that property and ownership are both real, as well as psychologically experienced as they exist in the ‘mind.’ It is assumed in this study that in order for ownership to occur as a lasting phenomenon, it may not exist at one level only. These levels are not only interpretations by the observer of ownership; they also form the sources where the knowledge of the sustaining nature of power, that is ownership of an object, derives.

2.2. Concept of psychological ownership and SMEs

Psychological ownership as a specific term is rather a new concept in management studies, and has been mainly developed by Pierce et al. (2001, 2003). They build their work on the literature on possessive behavior and psychology of "mine" and property (Pierce et al., 2003). That work had its starting point in the research on employee ownership and it lead, via a very comprehensive literature review, to a development of a theory of psychological ownership.

Pierce et al. (2003, 86) define psychological ownership as following:

"We conceptually define psychological ownership as that state where an individual feels as though the target of ownership or a piece of that target is 'theirs' (i.e., it is MINE!)."

And further they state (2003, 86):

"Elaboration of the construct represented by this definition highlights a number of distinguishing features. First, the sense of ownership manifests itself in the meaning and emotion commonly associated with 'MY' or 'MINE,' and 'OUR.' Psychological ownership answers the question – "What do I feel is mine?" and its conceptual core is a sense of possession... towards a particular target (e.g., the products of one's labor, toys, home, land, significant others). Second, psychological ownership reflects a relationship between an individual and an object (material or immaterial in nature) in which the object is experienced as having a close connection with the self..., becoming part of the 'extended self'."

It can be noted that they place ownership in a relationship between an individual and an object. This means that everything that leads into the development of psychological ownership happens in that relationship, i.e., in a closed system, and nothing comes from the outside. There are however some notions that psychological ownership is also a context-specific phenomenon (Van Dyne & Pierce, 2004; Mayhew et al., 2007), but these statements have not been researched in the level of theory building. This closed system theorizing of psychological ownership brings some challenges in the use of this

theory in the case of SME ownership. An SME is a dynamic constellation and it is constantly defined through its interaction with the environment. Furthermore it is also a part of a range of instrumental assets and network connected processes.

Pierce et al. (2001; 2003) seem to suggest in their definition that each owner-object relationship forms a separate psychological ownership. However, one may assume that objects are not “owned” separately and alone, but that they create a totality overall for their owner. Sartre (1973, 591-592) stated: “the totality of my possessions reflects the totality of my being” and earlier James (1890, 291-292) suggested that “a man's Self is the sum total of all that he can call his”. Thus these frequently reviewed statements seem to suggest that psychological ownership forms a totality, and that the single object owned is not alone, but it is reflected to other objects that the owner has. Thus Pierce et al. (2001, 2003) are proposing a rather post-modern setting where psychological ownership is formed by the “psychological owner” with no contact to the “outer reality”. There is also a danger of a circular statement, a *petitio principii*, as a genitive form word (a genitive case, a possessive case) is defining ownership; “I feel this is mine” discourses define the very core of psychological ownership.

One of the main contributions of the work by Pierce et al. (2001, 2003) is their clarification of processes through which an object becomes psychologically important to their owners. These processes are:

- 1) controlling the ownership target,
- 2) coming to intimately know the target and
- 3) investing the self into the target.

Summing up these processes relies on an excessive literature review and is based on the idea that ownership is a relationship between the subject and object and everything affecting ownership occurs in that relationship. Thus, this listing illustrates the truncation of psychological ownership into a closed system setting that Pierce et al. (2001; 2003) did in their theory development. They propose that the roots of psychological ownership can be found in three human motives: (a) efficacy and effectance, (b) self identity, and (c) ‘having a place.’ They (2003, 89) also state that “psychological ownership is grounded, in part, in the motivation to be efficacious in

relation to one's environment" and that "ownership helps people come to define themselves, express their self-identity to others, and maintain the continuity of the self across time" and that "psychological ownership is, in part, grounded in having a home, a place of one's own." These motives are clearly embedded in material and social environments. According to Pierce et al. (2003) these open system motivations are creating a closed system phenomenon. This listing of processes in creating psychological ownership also reveals the difference of psychological ownership in regard to ownership as a general concept. Pierce et al. (2003, 95) write "Any single route can result in feelings of ownership independent of the others", and furthermore (2003, 96) "the routes do not have a multiplicative relationship, as would imply if any one of the routes does not occur, then ownership would not emerge." In other words they state that a feeling of psychological ownership may occur even without any control over an object. This leads to critical consideration over the usage of word "ownership"; if one does not have any control over an object, i.e. , one does not "have" the object, but sees the object being of great importance, would it not then be more about psychological "non-ownership" or psychological feeling of "would like to have", rather than actual feeling of ownership?

The multiple and overlapping roles of an SME owner-manager bring some challenges in utilizing the "What do I feel is mine?" statements operationally in SME ownership research. Mayhew et al. (2007, 488) measured e.g. the degree of psychological ownership in their questionnaire. Their inventory was build, among others, on the following statements: "This is MY organization", "I feel a very high degree of personal for this organization", and "I sense that this is MY company". However Mayhew et al. (2007, 477) clearly stated: "psychological ownership is a feeling of possession in the absence of any formal or legal claims of ownership". Similarly Wagner et al. (2003, 848) introduced in their research the psychological ownership as "employees' beliefs that they share ownership in the organization". In the case of employees, psychological ownership can be measured as feelings or beliefs of ownership, which is, something being beyond their normal roles and being as such distinguishable. However, in the case of SME owner-managers, the feelings of ownership are blended in the cognisance of ownership; ownership is a normal state within their everyday roles and actions. Therefore the usability of "What do I feel is mine?" statements in the case of SME owner-managers is arguable. We may not know

to which elements the feelings of ownership are intermingled in all the diversity of SME owner-managers' everyday reality.

Dittmar (1992) reviewed extensively the literature of psychological and social psychological explanations of possessive behaviour. As there are several theorized processes coming to bear in different occasions, one may assume that the subject, the object and the context have an affect on the formation of psychologically experienced ownership. Furby (1980, 39-40) stated in her study on possessive behaviour among children and adults that "object control becomes an increasingly social issue as soon as the children begin to interact with age-mates. At this point in development, the dynamics of possession change significantly in that the social environment becomes very important for understanding both cultural and individual differences in possessive behaviour." Dittmar (1992) pointed out that certain objects may become more important to their owners than other objects, and the process of the object becoming important to an individual is elementarily linked to the environment.

Belk (1988, 1989) listed objects that are potential targets becoming linked to person's self-concept, and thus marked several objects having less potential to be linked to a person's self. Belk (1988) also introduced the concept of "extended self", but it has not become totally accepted by other consumer behaviour researchers. Cohen (1988, 126) for example stated in his critique that "although the 'extended self' is a phrasemaker's delight given the richness of associations and idea it brings to mind, it is incredibly imprecise". The challenges of self-concept have been noticed, for example by Hazel & Wurf (1987). Similarly Tian & Belk (2005) stated that the concept is complex and needs to be developed further. Mittal (2006) concluded that objects may become incorporated into self, but only by being "selected". The self, which is supposed to be extended, exists already, and there is incorporation of that specific object to other components in the self. Mittal (2006) named these other components as follows: values and character, competence and success, social roles, body image and self-perceived personality traits. These notions may imply; as Sartre (1973) and James (1890) suggested, it is not only the relationship between subject and object that defines the "extension of self", but also other entities outside that single relationship. Furthermore, there is a reason to believe that not all objects owned will be incorporated into self.

Consumer behaviourist McCracken (1986) noted in his studies that when consumers buy goods, which means they get legal ownership, they don't do that for the legal ownership *an sich*, but for the qualities of the goods. Further he stated that something becoming "mine" depends on the subject, object and the surrounding culture. Thus the affect of the culture is visible on a micro level (in a specific case) not just on larger intercultural comparisons. The culture in the McCracken's (1986) setting meant the social and material environment around the subject and object at a short range. Similarly Belk (1988, 145) noted that a great deal of the object's importance may derive from the relationships outside:

"Sometimes I test myself. We have an ancient, battered Peugeot, and I drive it for a week. It rarely breaks, and it gets mileage. But when I pull up next to a beautiful woman, I am still the geek with the glasses. Then I get back into the Porsche. It roars and tugs to get moving. It accelerates even going uphill at 80. It leadeth trashy woman...to make pouting looks at me at stoplights. It makes me feel like a tomcat on the prowl..."

It is assumed in this study, that that the quality and nature of these entities have a significant impact on the ownership system, even the definition of psychological ownership has no explicit notions to the properties of the subject, i.e. the owner or to the properties of objects (to the ownables). It is assumed that individual human beings try to arrange their situation in the best possible way in their surroundings. Some places, some objects and some other people are more favourable than the others. This forms also the basic premise of the contextual and relative model of ownership presented in this study. Ownership as a relationship between the owner and the object owned is not sufficient as such. The importance and value of the object owned is very much connected to the environment and to the context. Ownership has no significant role in an environmental vacuum, at least when SME ownership is in consideration.

2.3 Family businesses, SMEs and ownership

"Entia non sunt multiplicanda praeter necessitatem."

William of Ockham (c. 1285–1349)

The research and empirical knowledge on family businesses has grown steadily during the last few decades, naturally along with general economic and managerial science but also by focused family business research. It has been noticed that a) family businesses have a significant impact on economies; b) a great deal of businesses are family businesses, and c) family businesses differ significantly from non-family businesses. Family business research has emphasized the role of ownership in family businesses, most notably in studies on succession (Bird, Welsch, Astrachan & Pistrui, 2002; Thomas, 2002; Karlsson & Koironen, 2003). The three circle model (Tagiuri & Davis, 1996) and its later applications (Gersick, Lansberg, Desjardins, & Dunn, 1999) have addressed the interlinkedness of family, business, and ownership in family firms. The concept "ownership" in family business studies has generally referred to the legal dimension of ownership (Westhead & Cowling, 1998; Chua, Chrisman & Sharma, 1999). However, it has become recently increasingly obvious that the psychological and social psychological aspects of ownership are important and central factors in a family business. The basic idea of a family business being "a business owned by a family" both illustrates and conceals the essence of family businesses. That is, there is the specific social group - the family - that collectively owns the firm (Habbershon, Williams, & MacMillan, 2003; Kets de Vries, 1996). Also, a business owning family consists of individual family members who; through their being and social action, construct the family together (e.g. Thomas, 2002; Habbershon, Williams, & MacMillan, 2003).

The first notions to the challenges in defining family businesses were outspoken in the 1960's (as noted by Chrisman, Chua & Sharma, 2003), but the research has leaned on the significance of studied phenomenon, and proceeded on the basis of existing definitions. It is believed that phenomenon is distinct enough so research will eventually reveal the fundamental essence of the family business and lead to a sustaining definition. This belief probably derives from previous empirical knowledge

and an intuitive contradiction between the concepts of “the economic man” and “the family” as economic actors.

Ownership as a concept has been given increasing attention in family business research. As empirical phenomenon successions form a classic family business research paradigm, in which the alterations in legal ownership are the crucial factors. In theoretical settings, there are family business definitions, where ownership is a central variable with the limit often set to 50 per cent of shares. In both of these cases, ownership is considered as a clear cut and measurable variable within the frame of legal ownership.

There is an interesting paradox in explicitly referring to legal ownership, but simultaneously suggesting that certain groups act differently from others as owners. It is not the ownership structure of the firm as such that matters, but ownership behaviour of a certain group and its access to power. Perhaps the most common and operationally most convenient way to distinguish family firms from non-family firms has been to look at the percentage of family ownership in those businesses. Donckels and Fröhlich (1991) for example stated that a business is a family business if “family members in one family own 60 % or more of the equity in the business.” Similarly Cromie, Stephenson, and Motieth (1995) wrote that a firm is a family business when “more than 50 % of the shares are owned by one family”. The basic idea behind these statements is clear: family business is in control of a family. However, family members’ legal ownership does not always mean that they are in control collectively or involved in decision making to any extent.

The concept “family business” seems to be easy for a layman to understand. In most countries there is a word for a family business and, unlike most terms in economics and management science, it seems to have an explanation within itself. Everyone has some kind of experience of families and it is rather easy to transform that image into a business setting. Thus it is interesting that it has proved to be very difficult for family business research to find a generally accepted definition for its main target of interest. Most definitions of the family firm (e.g. Handler, 1989; Westhead & Cowling, 1999; Chua et al., 1999; Astrachan, Klein, & Smyrnios, 2002) have concentrated on controlling ownership as a main feature which distinguishes family businesses from

other types of firms. A “family business” is a common word in everyday language sounding like a definition in itself. There is a common intuitive interpretation that a family business is a business owned by a family, as it is expressed in the famous Tagiuri & Davis model (1996) of three overlapping circles. However, the expression “family business” is not referring to any specific legal structure, as law does not differentiate family businesses from non-family businesses. Family business is “a normal business”, but is considered to be owned by a family. However, legal ownership of a family business is not usually in the hands of a collective of a family, but in the hands of individual family members. All this raises the question of the meaning of ownership in the case of family businesses. It seems that family business research is facing a collision of two unopened constructs, namely family as a collective and ownership beyond legal structures.

Therefore, it is interesting that there is an unsolved question in the very core of family business research – the lack of a generally accepted and generally used definition of family business. However, the cumulatively increased knowledge on family businesses during the decades has not solved the problem of defining a family business. This can be seen a) in the great number of family business definitions, b) in direct criticisms on family business definitions used, and in suggestions to solve the problem, c) in the popularity of term “familyness” in describing the influence and input of families into businesses, d) in the tendency to look at the direction of mainstream research and in using fundamental economic theories to search for the very essence of family businesses and e) in the difficulties of existing theories in capturing the processes of a business becoming a family business and vice versa, a reason causing the so-called “grey area” between family businesses and non-family businesses. In the past few years, it has become clear that in order to proceed from defining the family business by behaviour towards a more generic theoretical definition, a careful consideration of the multidimensionality of ownership is needed (Chua et al., 1999).

The definitions of family businesses have been listed and analysed by several researchers (Brunåker, 1999; Chua et al., 1999; Johannisson & Huse, 2000). Westhead and Cowling (1998) concluded that there is no single generally agreed definition of family business, and the ongoing discussion on family business research illustrates the significance of that problematic issue. Sometimes it seems rather unproblematic to

define a firm that is a family business. However, the so called 'grey areas' between family businesses and non-family businesses highlight the existing challenges in defining family business. For example Westhead and Cowling (1998) found that the proportion of family businesses in the UK varied dramatically depending on the definitions used in studies. This illustrates well the unfortunate outcomes of the wide selection of different family business definitions.

If we link the definition of ownership proposed in this study to the idea that family business is a business owned by a family, it will bring up some interesting opportunities. In that way the three circle model by Tagiuri & Davis (1996) would be complemented with defined ownership, not just with notion to legal ownership of shares. As mentioned earlier, one of the challenges in family business research is collective nature of the family. The potential bias in defining the family could be avoided by looking for the minimum representation that a family could have in a company, and still make it "a family company". In Daily and Dollinger's (1992) research, firms were treated as family businesses if two or more individuals with the same family name were listed as officers in the business and/or the top/key managers were related to the owner working in the business. This would give a base to state a definition of family business deriving from ownership concept. The suggested family business definition in this study is:

A business is a family business when minimum of two family members are having a relatively sustaining position of control in a company and when these family members feel that they are representing the family in ownership.

One interesting outcome of this definition will be that it would link the operational definitions used in family business research into a theory. In their extensive analysis of family business definitions, Westhead & Cowling (1998) found the following five elements in family business definitions: 1) family involvement/perceived to be a family business, 2) legal family ownership, 3) family management, 4) inter-generational ownership transition and 5) multiple conditions (that is, a combination of previous elements). It could be noted that these elements illustrate the operationalizations of a relatively sustaining position of control that a family has in a company, in a family business.

3. THE PUBLICATIONS

3.1 Contextuality and entities in the publications

The empirical part of this study consists of the five articles, out of which one is conceptual and four are empirical in nature. The empirical research introduces three different entities of empirical data. Two of the papers are based on quantitative data and one paper on qualitative data. Two of the papers represent a case where the setting consists of one owner and one company; one of the cases takes place in the Finnish context and the other one is based on an international comparison. One paper introduces a research setting where the family business dimension is explored via one owner – one company setting. One of the papers introduces a qualitative case research of several owners (family members) – several companies (business portfolio) setting. The papers and the entities in their contextual dimensions can be illustrated as follows:

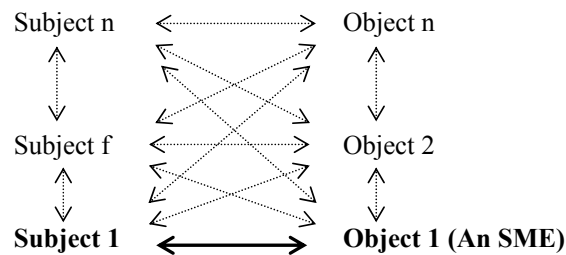


Figure 2. Entities in **paper 2**: owner-mangers, SMEs, social and material environment.

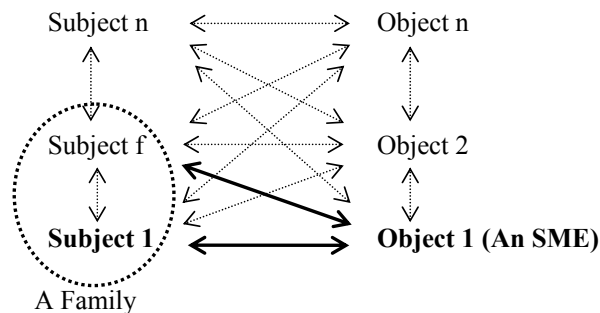


Figure 3. Entities in **papers 1 and 3**: owner-managers, families, SMEs, social and material environment

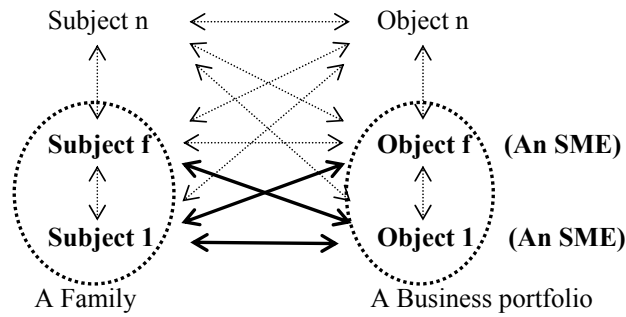


Figure 4. Entities in **paper 4**: family members, business portfolio, social and material environment

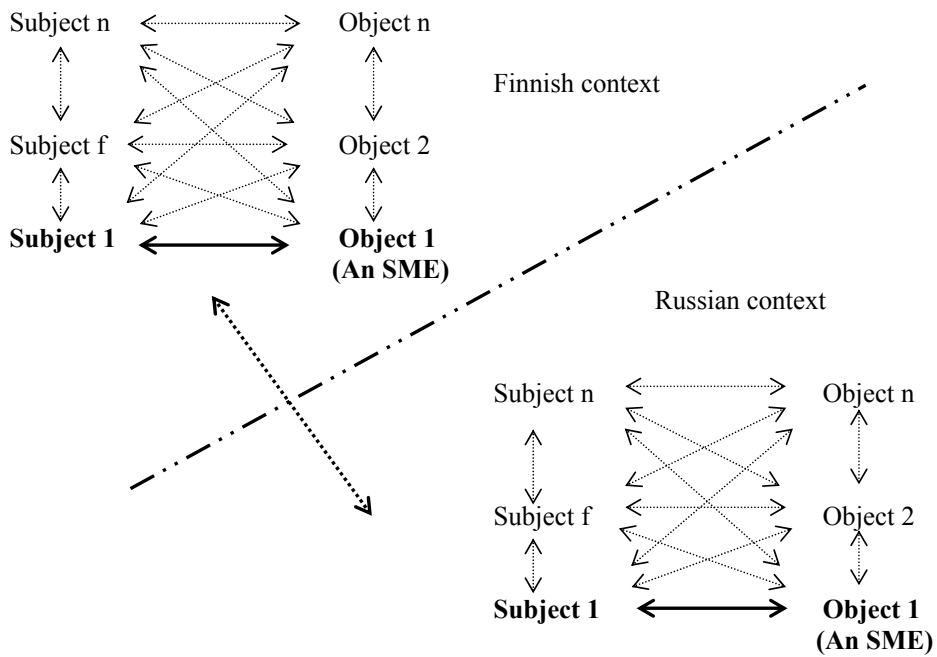


Figure 5. Entities in **paper 5**: owner-managers, SMEs, social and material environments, Finnish and Russian context.

3.2 Review of the results

The following chapter summarizes the contents of each of the five publications, and presents their major contributions.

3.2.1 Psychological ownership in family businesses – a ‘value-values’ extension

Overall objective

The first paper examines and focuses on the analysis of the relationship between ownership and the family from the values point of view. The paper aims to conclude the analysis with a set of tentative propositions on the value aspects of family business and ownership. The concept of ownership has remained largely undefined, as the legal-economic interpretation of ownership has had the status of ‘default’ mode (Hall, 2005). The interest to broaden the definition of ownership into psychological ownership is fairly new within management research. It is reasonable to suggest that introducing the well developed theoretical concept of value into the discussion of ownership of family businesses could make an important contribution to the understanding of the basis of family values and valuation of the family business.

Major contribution

The major contribution of the paper is the value-added extension to the discussion on family ownership. The research of values associated with the family business is extremely interesting because the concept of psychological ownership provides new tools for understanding valuation of the owned target. The phenomenon of psychological ownership is not only a feeling but it is tightly associated with control over the owned target. However, the analysis shows that the value system associated with the family business is not a closed system but is affected by general social valuations. Thus the first proposition is suggested as 1) Family business is simultaneously a target of valuation based on individual, collective and social levels as well as both object- characteristic, and outcome-characteristic.

It is suggested that the relationship between the owner and the object is a result of the three-layered process concerning the knowledge of the object, the control over the object and the perceived personal investments in the target. The second proposition is formulated as 2) The valuation of family business may face serious variance because of the family members' different levels of psychological ownership with the owned object.

Psychological ownership as a theoretical construct suggests both ends of the continuum: the high end of strong valuation and the low end of no or even negative valuation. Therefore, the contents of the experienced psychological ownership may in fact also work against the existence and preservation of the family business. Along with this, the third proposition is formed as 3) There is no direct relationship between the level of psychological ownership and the outcome-type of values on family businesses. It seems that psychological ownership is not a monolith phenomenon with just one appearance and direction. Instead it occurs in a web of other subjects and objects and numerous different relations between them. There is some kind of competition of the owner's attention and interest by several targets of ownership. Thus the fourth proposition follows 4) On the basis of our analysis, it is suggested that the owner's willingness to affect the family business behavior is dependent on the strength of the total set of valuation related to that piece of property.

3.2.2 The role of owner-managers' psychological ownership in SME strategic behaviour

Overall objective

The second paper builds on the theory of psychological ownership, which has developed remarkably during the last two decades. The main logic behind it is that it is not only formal (de jure) ownership that guides people's behavior, but also the mental connection (psychological ownership) through which people relate to the object. The paper suggests that owner-managers' psychological ownership can be identified, and that this phenomenon has implications as far as SME strategic behavior is concerned. The phenomenon of psychological ownership and strategic behavior in SMEs is described, and a set of propositions on the role of ownership in explaining such

behavior. These propositions are tested on survey data covering 150 small-enterprise owners in South East Finland. The questionnaire was developed in accordance with the theoretical perspectives of the paper. According to the theory of psychological ownership, the feeling of ownership does not necessitate legal ownership, and may emerge when a person gets to know the target intimately, controls it and invests in it. The study focuses on owner-managers of small enterprises, and builds on the fundamental assumption that psychological ownership and legal business ownership are not mutually exclusive.

Major contribution

The paper commenced with the statement that there is no focused research on the subject, despite the fact that the SME owner-manager's strong mental connection with the business is frequently taken for granted. The paper built the theory of psychological ownership, and formulated three propositions suggesting that SME owner-managers' psychological ownership carried implications with regard to the strategic behavior of SMEs. According to the empirical analysis of the paper, it seems that the concept of psychological ownership has a certain explanatory power in terms of SME strategic behavior. So it seems that certain aspects of psychological ownership explain certain types of strategic behavior, and it is obvious that psychological ownership needs to be taken into account in studies seeking further understanding of organizational growth and performance.

The paper extended the research on psychological ownership by bringing it into the context of SME owners. Pierce et al. (2001) suggested on the basis of previous research that people are able to develop a feeling of psychological ownership through the processes of knowing, controlling and investing oneself in the target object, and they represented psychological ownership as a single, one-dimensional variable. However, the results of this paper suggest that variations in knowing, controlling and investing in the target object, and in the contextual elements, e.g. the various roles that the object may have in linking the person to the environment, may lead to differences in feelings of ownership.

3.2.3 A family dimension in SME owner-managers' ownership profiles – a psychological ownership perspective

Overall objective

The third paper introduces a contextual model of ownership that consists of social, action and object dimensions. The paper builds on business ownership and family business literature as well as that of the psychology of ownership to analyze small business owner-managers' ownership profiles. In the empirical part, the paper shows that distinct ownership profiles can be identified and that those owner-managers who view their business as a family business have distinct profiles from those of non-family business owners. The paper presents empirical results from a survey among 150 owner-managers in South-Eastern Finland focusing on their ownership profiles.

In this study, we acknowledge the nature of ownership in family businesses and, in the sense of Zahra's (2007) ideas, advance in degrees towards the theory of psychological ownership in family businesses. The idea of the analysis is to intentionally take a personal and individual perspective and thus offer a foundation on which to build later, from that intermediate stopping point, to the direction of collective level analyses. The purpose of this paper is to discuss whether there is a family business dimension in small business owner-managers' ownership profiles and its potential links to psychological ownership.

Major contribution

The results of this paper indicate that an ownership profile can be identified; there is variation among the ownership profiles, both individual psychological ownership and family business dimension can be identified in ownership profiles, and individual psychological ownership and family business dimension seem not to be interrelated.

The results show that family business profiles include care-taking, stewardship and continuity as well as a perception of the company as a tool for achieving other valuable things in the world outside the company. And what is most important, the paper notes

that these profiles differ dramatically from the personal, extended self-type of psychological ownership previously seen as the key element in family businesses.

The most important contribution of the study lies in the identification of the ownership profiles that are typical for owner-managers, who consider their companies as family businesses. It seems that there is an extent sharedness of personal feelings involved in business ownership (manifested by stewardship). The analysis suggests that almost all dimensions of psychological ownership are more strongly loaded among the family businesses compared to the non-family businesses. This perhaps means that family business ownership sharpens the meaning of ownership as such within the company.

The results of the paper indicate that the concept of family business is strongly related to ownership. The owners do not do things just for themselves, but also for their families, and further, the families are also involved in the business, and from the individual owner's point of view, the family has the justification to be involved in the business.

3.2.4 Family business in family ownership portfolio

Overall objective

The fourth paper studies family business portfolios and illustrates ownership connecting family systems and business systems. The traditional family business research has assumed the one family – one business concept to be the main case. This paper builds on the ideas of modern portfolio theory and behavioral finance theory and suggests that the portfolio evaluation criteria of risk and return co-exist with the basic family based evaluation criteria, such as obligation, securing succession, or family unity. In this paper it is suggested that the phenomenon of family business development contains both collective and individual reasoning and decisions concerning the control and responsibilities over businesses. The purpose is to illustrate and analyze the entrepreneurial and ownership processes carried out by a family and explore the dynamics and interaction between the family and the family business. With an empirical case study, the paper is seeking to highlight the process nature of family ownership and its meaning to the management of family business.

The paper builds on two fundamental assumptions concerning the business and the family members. First, the paper assumes that family businesses are possible even in the case that family and family members own several companies, and these companies may drastically differ from one another. Secondly, the paper builds on the idea that family members may have different roles in these businesses. Family members form an important and flexible block of human resources; they may have several simultaneous roles in different companies, and act e.g. owners, investors, managers or employees.

In the empirical part of the paper, the qualitative case study from an ongoing research project focusing on the relationship between family business and portfolio entrepreneurship is presented. The purpose of the case is to explore and illustrate the logic of family business portfolio management. The semi-structured interviews with the families have formed the main source of information, but also other sources were applied to allow the framing of real event descriptions to their relevant context.

Major contribution

The paper highlights some implications on the research of family business. As an active entrepreneur, the family uses ownership as a tool. It always concerns changes in ownership, either in terms of owning some particular object (estate, company, business, shares, concept) or in terms of changing the combination of owners of those owned objects. Ownership changes can be used in the development of the business, developing the relationships between the family members or providing the family members with an ability to carry out their individual ventures.

It is evident in the analysis of the paper, that ownership is a dynamic element in the family business and that the family business includes several layers important to take into account in research. The analysis shows that the family running the business system keeps changing constantly. On the other hand, the family members are also entrepreneurs who make individual decisions on the allocation of their entrepreneurial spirit and ownership.

The systems include the family on a collective level doing business and securing continuity; the family business system is in a constant relationship with its environment

through each subsystem: businesses and family members. This leads to three notions: 1) The family business is not a buffer against the environment but rather a core of the business system; 2) Each of the subsystems need to run efficiently and productively; and 3) The system contains both systemic cohesion and entropy within it, leading to the family members need to keep things within the family and at the same time, leading to diversification and independent venturing of the family members.

3.2.5 Russian and Finnish business owners: Comparison of power-control dimensions to ownership – survey results

Overall objective

The fifth paper examines and focuses on the possible differences between Russian and Finnish business owners in regard to their power-control characteristics. It is assumed that both different kinds of economical, cultural and legal histories and the inner reality of the company would have influence on these ownership profiles. Therefore the research examines the correlations between selected background variables (e.g. owners' age, company turnover, number of personnel) with the power-control dimension of ownership.

A 46-item survey was conducted amongst 313 business owners in the two countries. In Finland it was administered by mail to respondents selected from membership lists of chambers of commerce in Southeast Finland. Because in Russia there are apparent problems in conducting such a survey by mail, the personal interviews were utilized instead. The questionnaire consisted of 46 individual statements concerning the entrepreneur/manager's opinion on himself, his company, the outside world and their relations. A total of 164 Russian and 149 Finnish business owners and managers participated in the study. Most of the Russian companies were operating in manufacturing (106 companies), 33 in construction and 13 in transport, storage and communication sector. Among the Finnish companies the breakdown of the branches of economy was more even. Out of 149 Finnish respondents 31 announced that they operated in manufacturing, 16 in construction, and six in transport, storage and communication.

Major contribution

On the basis of the survey results, it is possible to make some interesting remarks. Firstly, power is a central element in ownership. When combining power with aims it is possible to achieve results. The results of the publication indicate that Russian owner-managers pursue both relations with the personnel as well as operations better than anyone else in their company. They want to emphasize their role both in strategic as well as operational decision-making. Secondly, even as the number of personnel and turnover of a Russian company grows, the owner still wants to preserve control. In the case of Finnish companies, the growth of the company increases the delegation of tasks and responsibility. Thirdly, the respondent's age seems to be more decisive to power-control dimension in Russia than in Finland. Finally, the results of the publication indicate that the essence of ownership is a complex and multifaceted phenomenon, which is intertwined with power and control.

4. CONCLUSIONS

4.1. Contribution of the study

The purpose of this study was to research SME owner-managers ownership behaviour and it was suggested that ownership is an important factor in the position of an SME owner-manager. Ownership is the basis for the juridical formation of the enterprise and it is connected to the resources the enterprise entails. It is also the economic body accumulating the profit (or loss), target of management that the owner-manager is running on a daily basis, and simultaneously a target for different feelings and ambitions. The main purpose of this study was to deepen the understanding of the meaning of ownership in the context of small and medium sized enterprises.

Researchers have been facing during the last 30 years the notion that SMEs bring specific challenges and that not all the lessons and precepts of big businesses can be applied to SME research. One of the most important features of SMEs is the owner-manager's crucial role in the company. Simultaneously there are many potential links between the owner-manager and the business. An SME has a multifaceted nature as an object owned: it is an instrument for doing business, a context for ownership actions, and a potential target for a possessive feeling. As different elements in SMEs are interlinked, and as the role of an owner-manager is so fundamental; it implies that there is a potential for overlap of different aspects of SME ownership also. Therefore it is assumed in this study that an SME, as an object owned, is a dynamic entity connected to social and material environment, and to time and place - implying that there is a need for a contextual and integrative frame of ownership in SME research.

The study was outlined with three major objectives: The first objective deals with the concept of ownership and it was named as *conceptual challenge*. It was stated as follows:

1) How can the concept of ownership be defined for SMEs?

This challenge was dealt by an analysis of the definitions of ownership. These previous definitions and writings brought out three important elements of the concept of ownership. These elements are: *a set of relationships between subjects and ownable objects, control/power in regard to an object and concept of time in a form of continuity* in ownership. These notions gave the basis for one contribution of this study: a suggested definition of ownership. This can be formulated as:

Ownership is a subject's relatively sustainable position of control in regard to an object.

Even if not being specifically tested, this definition gave the theoretical basis for this study and further consideration of the applicability of ownership concept in SMEs. This consideration was illustrated in analysis of psychological ownership and concept of the family business. Analysis of the concept psychological ownership was included as it is receiving increasing attention amongst SME and family business researchers and as it is originally developed for bigger companies with clearer organizational and institutional structures and roles.

When bringing the definition of ownership onto a personal, psychological level and into the SME context, it was noticed that ownership is not only a closed system phenomenon occurring between the owner and object owned, but it is also elementarily connected to the environment. Ownership, and along with the psychological side of it, is a contextual phenomenon where the fundamental factor is the relatively sustaining position of control with regard to an object. This position of control relates both to the object owned and the other entities around the subject and object. Therefore, it is possible to claim that valuing an object or just a desire to have an object is not *as such* a sufficient state for ownership. This kind of desire or motive may be a reason to maintain ownership or for an attempt to obtain ownership, but does not form the core of ownership alone.

This leads us, along with the earlier notions of different elements of ownership, into separating different levels where ownership can be noticed, noticed that somebody is having a relatively sustaining position of control in regard to an object (Mattila & Ikävalko, 2003). These levels of ownership are:

- 1) Ownership at a social level.
- 2) Ownership at a legal (de jure) level.
- 3) Ownership at a personal, individual, psychological level.
- 4) Ownership in action, influence and outcome level.

This notion of several ontological levels in ownership is present in most research on ownership. It is assumed in this study that in order for ownership to occur as a lasting phenomenon, it may not exist at one level only. These levels are not only interpretations done by the observers of ownership; they also form the sources of the knowledge of the sustaining nature of power, i.e. ownership of an object.

The second platform for theoretical consideration of the applicability of ownership concept was family businesses. The earlier mentioned definition of ownership was brought into family business context, and further, it was utilized when proposing a definition of a family business. This definition places ownership as the central factor in family businesses, and it was formed as following:

A business is a family business when minimum of two family members are having a relatively sustaining position of control in a company and when these family members feel that they are representing the family in ownership.

As a contribution of this study, this definition would bring a new point of view to the discussion on family business and to the discussion of theoretically defined family businesses. Similarly it gives a theoretically justified base to the contemporary operational definitions. These commonly used but often criticized operational definitions could be seen as operationalizations of a theoretical conceptualization: namely a family having a relatively sustaining position of control in a company.

The second challenge, an empirical challenge, was stated as following:

2) How does the concept of ownership appear in the behaviour of SMEs and family owned SMEs?

This challenge emanates from the multifaceted but sound empirical appearance that

ownership has in SMEs and in family owned SMEs. Ownership is defining these firms and is potentially having an impact on the behaviour through values, strategies and everyday actions. As ownership is such an important element in SMEs and family owned SMEs, it is evident that ownership links these firms to their environments and to the outcome of their actions. Furthermore, it is assumed in this study that the contextuality of ownership becomes visible in SME ownership. From the owner-managers point of view, ownership relates the owner also to his or her environment and therefore also to the valuations of the owner-managers. This means that all of the dimensions are not equally valued, but that certain dimension in his or her ownership are more important. As the owner-manager's role is so central in an SME, it is assumed that ownership related values affect also the decisions and the outcome of business actions.

The theoretical clarification on ownership presented in this study has built on the idea of ownership being connected to control/power dimension as a continuing phenomenon. Similarly the presented empirical researches utilized the contextual and relative nature of ownership. It was assumed that ownership described as a relationship between owner and the object owned is not sufficient as such and that a great deal of the nature of ownership derives from the connections to the environment and other subjects and objects. This was in line with the assumption that a SME is a dynamic and multifaceted object to be owned. The environment and the context have an impact on the ownership and this has an impact on the outcome of actions. Similarly, the family business nature of ownership with feelings of shared ownership, became visible in two of the presented publications in this study. The presented empirical research seemed to support the following suggestions: there is a variation between ownership behaviour of small business owners, and that the variation is not random or irrational, but following the general patterns of broad phenomenon of ownership, owner's goals and ambitions and owners and company's situation in material and social context.

This multifaceted and dynamic nature of the SME brings out the most important limitations of this study, and it also forms the direction for future studies. This systemic challenge was formulated as following:

3) How does ownership perspective fit into the research of SME ownership?

This study is built according the specificity thesis of SMEs. This calls for the contextualization of theories, which they a brought into SME research, as noted by Zahra (2007). Ownership as such turned out to be a seldom defined concept and having several layers, and thus there is potential for several different approaches and handlings. SMEs also have a potential overlap between different entities. One example of this is the role of owner-managers; they care of two tasks: owning and managing. There is an impressive body of theories and methodological solutions on separating these roles, but rather few linking them together.

It was assumed in this study that when bringing the concept of psychological ownership into SME context, the contextualization (Zahra, 2007) actually brings the original closed system theory into open system context. Interestingly, the contextualization of psychological ownership means making it contextual in the SME environment. One reason is that in an SME an owner-manager is a legal owner, a manager, and person potentially participating into everyday work of the company. A SME owner-manager is facing simultaneously several different elements of ownership, and there is a reasonable doubt as to whether an owner-manager can possibly separate his or her legal ownership from feeling of ownership. The question is also whether he or she can separate the feeling of ownership from the contextual situation, for example from the economic situation of the company.

Even the very definition of psychological ownership has no explicit notions to the properties of the subject, i.e. to the owner or to the properties of objects, the ownables; it is assumed in this thesis that the quality and nature of these entities have a significant impact on the ownership system. It is assumed also that individual human beings try to arrange their situation in the best possible way in their surroundings. Some places, some objects and some other people are more favourable than the others. This forms also the basic premise of the contextual and relative model of ownership presented in this study. Ownership as a relationship between the owner and the object owned is not sufficient as such. The importance and value of the object owned is very much connected to the environment and to the context. If we do separate the closed system feeling of ownership from the contextual situation, we should reason that the individually felt ownership does not value the situation of the object owned in that context or the control the person is having over the object owned. If an object is

important to a person, the more reason we have to assume, that the person will value the degree of control he or she has with regard to the object. Therefore it is claimed in this study that ownership has no significant role in an environmental vacuum, at least when SMEs are concerned.

The presented publications are confirming the idea of ownership being a contextual phenomenon. However, there was an evident challenge in formulating the research, and more specifically, in formulating the statements for the survey. In the publication number five, the comparison between two nations, showed that the concepts of power and ownership are very much linked to culture, social coding, and language. There are thus several layers in contextuality. However it is claimed in this study, that it is not only a bias in research, but one important element of the phenomenon. The study builds on assumptions that SME ownership will appear totally randomly or irrationally. The society, history, economic processes and structures, social and individual factors all influence the appearance of ownership. Ownership is an important and definitely a common phenomenon, and presumably there are evolutionary forces shaping the appearances of ownership. As was stated earlier, SME ownership rarely is a “forgotten” or a randomly shaped phenomenon; it implies that the contextual elements and layers in ownership are not only challenges for research but important features of the phenomenon to be studied. This multifaceted nature reveals a need for further studies: both in clarification of concepts and, most of all, a need for a whole range of empirical studies.

One potential implication of this study is related to the presented concepts and suggested definitions. The discussion may clear the interlinkedness of ownership related issues in SMEs. For example, if ownership is regarded that a person has a relatively sustaining position of control in regard to an object the separation of the roles of an SME owner-manager are not so crucial. Another integrating effect may occur in dealing with different research areas on the broad term of SME research. There are e.g. family businesses, solo entrepreneurs, serial founders and portfolio entrepreneurs which all may have representation in studies focusing on SMEs, but they also have been targets for more focused studies.

The suggested definition for a family business may give a new point of view to the discussion and research of the family business. However, the definition may not totally solve the conceptual and methodological challenges in defining a family business. As the fundamental nature of a family business was presented as a matter of ownership, it also leads to the conclusion that ownership of a family business is a contextual phenomenon and as such, a dynamic system and open to several influencing factors.

Another implication of the study is in the opening the discussion of SME ownership with a new perspective. Until recently the discussion has been focused on strategic issues and ownership related choices, e.g. institutional alterations have been shown less interest. However, the alterations in ownership are common in SMEs and they definitely have an impact on the destiny of a company. Opening the discussion may bring out competencies and help to accumulate managerial knowledge on the issue.

The empirical results of the publications may potentially help the owner-managers in realizing their own ambitions and their own way of doing things. As the overall discussion on ownership is rather limited and because the choices on ownership level are so important, the owner-managers should be aware of the ownership profile and its connections to the strategic choices of the company. One specific feature was the narrowing affect that the ownership profile may have on strategic behavior. If the owner-manager was too detached from his or her company, the usage of the company as an economic apparatus could have been limited.

4.2. Limitations of the study and suggestions for further research

The most notable shortcoming of this study is the lack of direct testing and verification on proposed definitions of ownership and family businesses. However, the verification of this kind of definition is a demanding task and it was not taken as a direct purpose of this study, in the first place. The presented publications were built on the assumption that ownership is a contextual open system phenomenon and eventually described as a sustainable position of control. This assumption includes also the idea that control and power are not utilized without a reason. Therefore, when a certain entity or dimension of ownership is more important to the SME owner-manager, the interest is given to the

direction and the behaviour of the company is guided accordingly. Thus the publications offer one point of view for the discussion of the role of ownership in SMEs.

In the presented publications the outcomes or influences of the ownership profile on business figures were not tested or verified empirically – the focus of the analysis was limited to strategic behaviour. The presented data was too fragmented in terms of business sector, business size and age, and too limited in size in order to give an empirical basis to study the link between ownership profile and economic success. However, the results gave support to presented hypotheses and there is a reasonable doubt that such a connection could be found. Thus there is a need for research on the connection between owner-manager's ownership profiles and economic results in SMEs.

There will be potential challenges in the contextuality of ownership in regard to the research. To master the context methodologically requires knowing the context and the major elements and forces in it. National culture and language are examples of contextual factors influencing SME ownership. This became transparent in publication number five and it forms a major challenge for research. As the phenomenon of ownership in SMEs is contextual, the appearance of ownership is built within a context and the research method used should be based on the entities and qualifications in that context. This obviously calls for focused and iterative testing of questionnaires and other potentially applied research instruments.

This specificity thesis which highlights the special features of small businesses and medium sized businesses is built on the notions that SMEs differ from bigger firms and all the theories and models developed for them are not applicable in SMEs. Similarly it has been found that SMEs are characterized by the central role of owner-managers. At the same time it can be noticed that ownership and ownership related issues bring variation into the SME population. This interesting contradiction implies that focusing on ownership could shed light on the specificity of SMEs. As a large majority of firms belong to the SME category, there seems to be a ratio for further research on ownership of SMEs, and more specifically, on ownership as contextual and power related phenomenon. Ownership, as introduced in this study, is not only a basis for ex ante

typologies, but also a dynamic and contextual process linking an SME to its environment and a typical phenomenon of SMEs. The great variation of SMEs with regard to ownership related issues is not only a bias but a normal and obviously permanent feature of SME population. This undoubtedly important role of the phenomenon of ownership in SMEs calls for further theoretical and empirical studies on the issue.

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PART II: PUBLICATIONS