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The socio-psychological challenges of succession in family firms:

The implications of collective psychological ownership

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Abstract

One of the most distinct challenges that family businesses face is succession. Several researchers have recognized that it is not a single event, but a process associated with social and psychological challenges. This article advances knowledge on these challenges drawing on the theory of collective psychological ownership (CPO). More precisely, we present the socio-psychological challenges in succession, and the main factors related to them and discuss how CPO affects this relationship. This work serves as an analytical framework for future research on the topic.

Keywords: Family business, succession, socio-psychological challenges, collective psychological ownership

1. INTRODUCTION

Research has shown that most of the businesses that are categorized as family businesses fail during or after succession attempts (Duh, Tominc & Rebernik, 2009), as only 30 percent of

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businesses are transferred to the second generation and ten percent from the second to the third generation (Bechard & Dyer, 1983). According to Miller, Steier and Le Breton-Miller (2003), there are many reasons why successions fail; these include such as unclear succession plans, incompetent or unprepared successors and family rivalries. In more detail, problems related to succession can be divided to successor-related challenges (e.g., lack of motivation, low ability), incumbent-related challenges (e.g., reluctance to share control and/or to let go due to personal sense of attachment to the business), relational challenges (e.g., conflicts between family members and/or employees), financial challenges (e.g., tax burden), contextual challenges (e.g., changing business performance, loss of key customers/suppliers) and process-related challenges (e.g., unclear roles of the incumbent and the successor) (DeMassis, Chua & Chrisman, 2008).

The recognition of succession as a challenge for family firms (Duh et al., 2009; Lam, 2011) has inspired a wide array of research especially on economic and formal (planned) aspects of succession (Brown & Coverley, 1999; Harveston, Davis & Lyden, 1997; Tatoglu, Kula & Glaister, 2008). In this context, some scholars have recognized that rationality, orderliness, and stability may have been overemphasized in family business succession literature (Lam, 2011) and only few studies have focused on social-psychological dimensions of succession (e.g., Levinson, 1971). However, during the recent years, succession research among family businesses has shifted to investigate also the emotions and attitudes of family and non-family members (e.g., Mahto, Ahluwalia & Khanin, 2014; Ramos, Man, Mustafa & Ng, 2014). This is because the succession is seen as highly emotional process (Kets de Vries, 1993) involving several human actors, who interact with each other and in relation to the family business in a dynamic context. Despite of the increasing interest in family business succession, there remains a lack of understanding of the associated social-psychological dynamics (Handler, 1994; Lam,

2011). Thereby, Sund, Melin and Haag (2015), for instance, have recommended a combination of legal and psychological perspectives on ownership to advance our understanding and suggested a preparatory approach to succession.

Based on research so far (e.g., Malinen, 2004; Morris, Williams & Nel, 1996), as well as on our frequent discussions with family business leaders, we see that the human facets (e.g., relationships, interaction) are often experienced as more problematic than the formal ones (e.g., legal, taxational, economical) in family businesses succession. According to Miller et al. (2003), and Molly, Laveren & Deloof (2010), it is management succession in particular, which is often a source of conflict and tension within the family, and can have significant influence on the future success of the family business. However, until now, relatively little is known about why ‘emotions spark’ between the actors (e.g., incumbent, successor, siblings, employees) in the succession processes. Even though research thus far has found that there are many challenges related to succession, the reasons as well as the means to overcome these challenges have received less attention.

The purpose of this study is to start filling the above presented knowledge gap. We follow Pieper’s (2010) guidance to use a psychological approach to investigate family business phenomena, as socio-psychological dimensions of family business will influence other business dimensions within that business (Goel, Mazzola, Phan, Pieper & Zachary, 2012). Mahto, Ahluwalia and Khanin (2014) have proposed that a successor’s individual psychological ownership (“*a state in which individuals feel as though the target of ownership (or a piece of that target) is theirs (i.e., it is “MINE”*”, Pierce, Kostova & Dirks, 2003, p. 86) of family firm is positively associated with his/her commitment to the firm. In addition, Savolainen and Kansikas (2013) have found that psychological ownership among non-family

employees creates challenges to succession, as employees resist the succession process as they consider changes of succession to create threats towards them and towards the continuity of the company. We also see that the incumbents' reluctance to let go of control and authority (de Pontet, Wrosch & Gagne, 2007) may stem from strong sense of individual psychological ownership. Thereby, although we see that individual psychological ownership can have positive effects on family business succession, it can also have several negative effects. However, shifting emotional mind-set from individual level to collective level might help to overcome these negative effects. Therefore, in this paper, we introduce collective psychological ownership as a tool to understand and overcome above presented and more challenges related to family business succession. With our focus being on socio-psychological challenges other challenges, such as the financial ones, are out of the scope of this paper.

Collective psychological ownership (CPO) is the "*collectively held sense (feeling) that this target of ownership (or a piece of that target) is collectively "ours"*" (Pierce & Jussila, 2010: 812). This collective state of ownership has been used to predict motivations, attitudes and behavior on a group-level and has both positive and negative effects on both individual, and group level (Pierce & Jussila, 2010). Noteworthy, Henssen, Voordeckers, Lambrechts, and Koironen (2014) suggest that both individual and collective-oriented psychological ownership can be seen as antecedents of CEO stewardship behavior and on the other hand, Giudice, Peruta and Maggioni (2013) have previously suggested that stewardship behavior can operate as an effective governance mechanism for family businesses in specific change management situations related to the process of generational turnover. Thus, it can be argued that the degree of both individual and collective psychological ownership is also likely to affect the successful succession of family business firms.

Our work has many important contributions to the knowledge of family business succession. First, we focus on the social and psychological nature and dynamics of succession (e.g., Handler, 1994; Lam, 2011; Levinson, 1971). Second, we apply CPO to deepen understanding on the phenomenon of family business succession and its socio-psychological challenges. Third, we shed light on the complex dynamics that affect the success or failure of the succession process with CPO. Fourth, we add understanding of why individuals and groups think and behave as they do in the succession process (cf. Lam, 2011). Fifth, we highlight family and other groups as social units with unique features that need to be considered in the research of CPO. These contributions can be seen as having significant value to both, future research and practice of family business.

The paper is structured as follows. First, we introduce the theoretical foundations of our study and discuss the family business succession and those socio-psychological challenges that family businesses face during succession process. Second, we introduce the theory of psychological ownership, discussing both individual and collective level definitions. We also discuss the primary reasons for the existence of individual and collective psychological ownership and routes through which they come to emerge. Third, through several propositions we present collective psychological ownership as a tool to overcome some of the problems of family business succession. Finally, we discuss in detail the value of our theorizing to future research and practice of family business.

2. THEORETICAL OVERVIEW

2.1. Family business succession; definitions and actors involved

For decades (see Miller & Rice, 1967), the involvement of an entrepreneur's family members in business has been an important way to define a family business (Solomon et al., 2011; Randøy & Goel, 2003; Sharma, 2004). At the heart of this relationship between the family and the enterprise are family dynamics (Neubauer, 2003). The founder is seen as having a major influence on the business (Wright & Kellermanns, 2011), while multigenerational family involvement together with traditions are also seen as shaping the operations of the firm (Malinen, 2001). Thus, succession plays a key role in maintaining a business a family business, as it is seen as the transfer of ownership rights and governance as well as leadership positions from the incumbent to the successor (e.g., Duh et al., 2009). Of these different transfers, leadership succession is often highlighted. As Beckhard and Burke (1983) put it, succession is "*the passing of the leadership baton from the founder-owner to a successor*" (p. 3). The existing idea of succession can be categorized as follows (see Handler, 1994; Solomon et al., 2011; Stavrou, 1999); it is a multistage, complex, and dynamic process that involves a variety of actors from both business and family systems, including technical, social, and psychological features and factors, and evolving over the long period of time it takes.

In this paper, we follow Rantanen and Jussila's (2011) definition, which suggests that a business is a family business (and remains one) to the extent the next generation (in addition to the incumbent one) gets a piece of the action (collective control, knowledge, and effort) in a manner that satisfies not only their need for social (family) identity, but one or more of the motives for personal possessions: efficacy and effectance, self-identity, stimulation, and home,

and, thereby, allows them to develop feelings of shared ownership for the business (cf. Pierce & Jussila, 2011).

As it comes to actors involved in succession, the founder or the incumbent, and the successor are typically seen as the most significant actors in the process (Duh et al., 2009), including CEO succession. However, also other actors, (e.g., family members, non-family members), who are a more or less permanent part of the family and/or business systems, are involved in and influenced by the succession process (Lam, 2011; Le Breton-Miller, Miller & Steier, 2004). Noteworthy, in many cases, a successor is chosen from a pool of next generation family members. So, not only is the next generation involved in deciding about the successor, but also competing to be the chosen one. However, the successor can also be a non-family member (Bechard & Burke, 1983) or an agent (Bocatto, Gispert, & Rialp, 2010; Lee, Lim & Lim, 2003).

2.2 Socio-psychological challenges of family business succession

According to De Massis, Chua & Chrisman (2008), many studies of succession assert that problems occur due to factors that operate at the individual level. As it comes to incumbent-related challenges, often the most significant challenge is the personal sense of attachment of the incumbent with the business. That is, for the founders or predecessors, the business represents a major part of their personal, professional, and social lives (Cadieux, 2007). As stated by Sharma, Chrisman & Shua (2003, p. 671), “*many of these incumbents have devoted a large portion of their lives and careers to building up their firms and some of them may find stepping aside challenging or even frightening because they fear the loss of power, status, or personal identity.*” As the younger member will have control and power over the business that is inherited from an older member after the succession (Churchill & Hatten, 1987), the

succession may, thus, posit a steep psychological loss and reluctance to let go of control and authority (de Pontet et al., 2007). Many studies have, indeed, pointed out the unwillingness or resistance of the founders to yield control of their business (Lussier & Sonfield, 2012).

However, it should be noted that unexpected, premature loss of the incumbent due to death or illness can also create major challenges to the succession process (DeMassis et al., 2008). That is, the premature loss of the incumbent could alter the composition of the dominant coalition, which in turn may lead to changes in goals, succession intentions or outlooks on the attractiveness of succession compared to other options for instance. Alternatively, the need for succession may occur in a time when the potential successor does not have the ability or motivation to take over. (DeMassis et al., 2008)

Successor-related challenges include factors such as; 1) low ability of potential successor(s), 2) dissatisfaction/lack of motivation of potential successor(s), and 3) unexpected loss of potential successor(s) (DeMassis et al., 2008). First, the potential successor may not have the necessary skills to take over the management of the business. This underqualification may cause the dominant coalition to reject the potential successor or the successor to refuse the position. Indeed, there are studies (Barach & Gantisky, 1995; Brach, Gantisky, Carson & Doochin, 1988) arguing that the ability of the successor to lead the business is positively related to successful succession. Second, Chrisman, Chua & Sharma (1998) have noted that the willingness and commitment of the successor is needed in the succession process, as his/her dissatisfaction or lack of motivation may also lead to refusal by the successor or rejection by the dominant coalition. Third, unexpected loss of a potential successor due to death or illness (Handler & Kram, 1988) may also prevent the succession from taking place as planned.

Besides challenges related to individuals, family business literature recognizes that the relationships between different individuals or groups of individuals can cause potential conflicts obstructing succession (Lansberg, 1983). Relational challenges include conflicts, rivalries and/or competition in incumbent-successor relationship (e.g., parent-child relationship) and/or among other family members (e.g., siblings). Additionally, lack of trust and/or commitment in the potential successor(s) by family and/or non-family members may cause difficulties. Moreover, conflicts between incumbent/potential successor(s) and non-family members can cause tensions (De Massis et al., 2008). Finally, changes in family relations, such as incumbent's divorce, remarriage or new children may also create challenges to succession (DeMassis et al., 2008).

One of the most important relationships in the succession process is the one between the incumbent and the successor (Morris et al., 1996; Venter et al., 2003). For example, there may exist identifying and idealization at the same time with competition and jealousy (Kets de Vries, 1996) and along with the process comes possible overlap and problems in transition from one role to another (Cadieux, 2007; Handler, 1990). Levinson (1971) has also presented that the successor often frustrates to the incumbents' interfering, boasting, and disdain. As a consequence, many incumbents find it difficult to progress from the partnership stage to the power transfer stage of succession. Davis and Harveston (1999, p. 311) refer to this as an incomplete succession as it represents *'a prior generation's excessive and inappropriate involvement in an organization, possibly causing social disruptions in the organization.'* Often there are also challenges resulting from bad communication between the incumbent and the successor, which can be a hindrance for a smooth successful succession to take place.

When it comes to the relationships between the incumbent and other family members, there may exist competition and confrontation especially if there are several (potential) successors and their relatives and spouses involved (Levinson, 1971). For example, the way the succession process is handled, how expectations are managed, and how the final choice of the successor is made, can cause hostility between siblings in the family (Jayantilal, Jorge & Palacios, 2016). Additionally, a problem to the family harmony (Churchill & Hatten, 1997) and consequently to succession may be the siblings' willingness to establish their own place in the business, where the others have no authority (Levinson, 1971). Also conflicts and rivalries between the incumbent, the potential successor and non-family members can be a barrier to succession (Bruce & Picard, 2006). Noteworthy, the competing situation in succession between family, and also (in some cases) between non-family members can be quite emotional and vulnerable for numerous conflicts in family businesses. Conflict can be considered as a relevant emotional cost for all involved (Jayantilal et al., 2016).

Lack of trust and/or commitment in the potential successor(s) by family members can be a source of major problems in succession. In order to be considered as a legitimate leader, the successor needs to be trusted by the family members and they need to be committed to the successor. Otherwise, the successor is not given a possibility to demonstrate his/her abilities nor is he/she likely to gain the dominant coalition's confidence. (DeMassis et al., 2008). These challenges can also occur between the successor and non-family members such as non-family employees.

2.2. Psychological ownership; definitions, motives and routes for its existence

There is a growing body of literature shedding light on ownership as a psychological phenomenon (Pierce & Jussila, 2011). Psychological ownership (PO) can exist on both; at the individual-level (see Pierce et al., 2003) and the collective level (see Pierce & Jussila, 2010) and can be used in explaining multiple motivations, attitudes and behaviors of individuals and groups (e.g. Pierce & Jussila, 2011; Pierce et al., 2009). Pierce Kostova, and Dirks (2001; 2003) first introduced psychological ownership as an individual-level construct (individual psychological ownership, IPO) and defined it as “*a state in which individuals feel as though the target of ownership (or a piece of that target) is theirs*”(e.g., “This firm is MINE and belongs to ME”). Later on, Pierce and Jussila (2010) have proposed that feelings of ownership can also exist on a group-level as a collective phenomenon, suggesting that collective psychological ownership (CPO) is the “*collectively held sense (feeling) that this target of ownership (or a piece of that target) is collectively “ours”*” p.812) (e.g., This firm is OURS and belongs to US (the group) as a whole”). Psychological ownership on both levels, is a state of mind experienced by the individual or the group holding a feeling of possessiveness and under certain conditions discussed below, the feeling can develop towards any target – tangible or intangible (Pierce & Jussila, 2011).

According to Pierce et al., (2001, p. 300), psychological ownership emerges because it “*satisfies certain human motives, some of them genetic and others social in nature.*” Overall, feelings of ownership arise under certain conditions: IPO has been recognized to serve four fundamental human needs; (1) efficacy and effectance (e.g., Furby, 1980; Isaacs, 1933; White, 1959), (2) self-identity (e.g., Dittmar, 1992; Mead, 1934), (3) belongingness (e.g., Ardrey, 1966; Darling, 1937, 1939; Duncan, 1981; Heidegger, 1967; Polanyi, 1962), and (4)

stimulation (e.g., Jussila & Tuominen, 2010; Pierce & Jussila, 2011). Efficacy and effectance refer to a basic need to feel capable in a given domain as possession of certain objects can enhance feelings of efficacy as they can provide sense of power, control, or influence (Pierce, et al., 2003). Possessions can also reflect an individual's self-identity (symbolic expressions of the self that entail core values of that individual) and a sense of place of belongingness provides feelings of comfort, pleasure and security (see Dawkins et al., 2017). Additionally, ownership serves yet another human need: the need for stimulation (activation or arousal). The targets of ownership serve as 'the storehouses of life's meanings' (Pierce & Jussila, 2011).

Pierce and Jussila (2010) point out that one additional motive – (5) the need for social identity – needs to be present for CPO to develop. The meaning and motivation for collective possession is found in the sense of social identity (Furby, 1980; Tajfel, 1982), because collective possessions (extensions of "us") provide individuals with such cues and help orient them to contexts, give meanings to experience, and guide their action as collective entities. However, while collective possession is intersubjective, the motivation for collective possession cannot be found in social identity alone and it needs to be coupled with one or more of the other motives for possession (efficacy and effectance, self-identity, belongingness, or stimulation) (Pierce & Jussila, 2010).

Further, the above-mentioned motives are not the direct cause of individual or collective feelings of ownership. As the primary reasons for psychological ownership and the associated psychological states, these motives simply facilitate the action that leads to the emergence of IPO and CPO (Pierce & Jussila, 2010, 2011). Three routes have been identified as leading to psychological ownership (Pierce & Jussila, 2010; Pierce et al., 2003). On individual level, these routes consist of (1) controlling the target (e.g., "I make decisions concerning my work"),

(2) coming to intimately know the target (e.g., “I process information concerning my work”) and (3) investing the self into the target (e.g., “I invest myself in my work”) (Pierce et al., 2001).

On collective level, the routes are (1) collectively recognized shared control over the target of ownership (e.g., “We (my teammates and I) make decisions concerning our work together as a group”), (2) collectively recognized shared intimate knowledge of the target and/or (e.g., “We (my teammates and I) interactively process information concerning our work to develop a shared understanding of it”), (3) collectively recognized shared investment of the different group members’ selves into the target of ownership (e.g., “We (my teammates and I) invest ourselves in our work interdependently, making it a collective creation”) (Pierce & Jussila, 2010).

Noteworthy, this collective state can only manifest itself in an inter-subjective context, as it represents a collective-level phenomenon and thereby, it is not enough that an individual sees oneself and wants to be seen as a part of a group or certain social entity. Instead, a group must become aware of its existence as a group in which its members experiencing a sense of “us” and develop a collective cognition. Additionally, for CPO to develop, each member of the collective must recognize that there is a clearly defined “us” that acts as an interdependent collective (Rantanen & Jussila, 2011). A precondition is that an individual must see him/herself, and wants to be seen as part of a particular group (see Pierce & Jussila, 2010). In other words, the group members must be able to answer the question “who are we?” as Pierce & Jussila (2010: 817) declare: *“the answer to this question, at least in part, lies in a collective understanding that we are one, bound and interdependent on one another for some purpose that is larger than the self.”*

There also are following boundary conditions for the existence of CPO; 1) individualism/collectivism (as an aggregate group orientation), 2) interdependence (e.g., task, goal), 3) collective (group) identification, 4) collectivistic values and 5) team cohesion and chemistry (Pierce & Jussila, 2010). CPO is also likely to increase when team self-management increases, when all members are well informed about the group's activities, when there is increasing skill variety and an increase in the number of tasks performed (Pierce & Jussila, 2010).

In sum, travelling down the routes to CPO by collectively exercising the shared control over the business, collectively interacting with the business in order to develop a shared intimate understanding of it and collectively making investments, group members can satisfy their needs for efficacy and effectance, self-identity, place to dwell, stimulation and social identity. This way, they can develop a strong mutually held feeling of "US" and "This is OUR business".

2.3. The effects and consequences of collective psychological ownership

Collective psychological ownership produces effects at both individual and the group level. The individual level effects include several attitudinal and motivational consequences, such as job satisfaction and organizational commitment (Avey et al., 2009; O'Driscoll et al., 2006; Vandewalle et al., 1995; Van Dyne & Pierce, 2004), loyalty, trust and responsibility (Pierce et al., 2001), organization-based self-esteem and self-identity (Van Dyne & Pierce, 2004), low levels of alienation (Van Dyne & Pierce, 1993), low intention to quit (Avey et al., 2009), and psychological empowerment (Avey et al., 2009). Also behavioral consequences such as quality in-role performance (Brown & Crossley, 2008; Kostova, 1996; Van Dyne & Pierce, 2004),

intra group sharing (Pierce & Jussila, 2010), acts of a good citizenship (O'Driscoll et al., 2006; VandeWalle, Van Dyne, & Kostova, 1995; Van Dyne & Pierce, 2004), personal sacrifice and stewardship behavior (Pierce et al., 2001) emerge. At the group level, collective psychological ownership is manifested as work-related attitudes, motives and behaviors such as psychological safety (Edmonson, 1999), organization-based social identity (Pierce & Jussila, 2010), group learning (Druscat & Pescosolino, 2002; Pierce & Jussila, 2010), group effectiveness and group potency (Druscat & Pescosolino, 2002; Guzzo et al., 1993; Hackman, 1987).

According to Pierce and Jussila (2010) and Brow, Lawrence, and Robinson (2005), collective psychological ownership also promotes territorial behaviors, including control-orientated and identity-orientated marking and anticipatory and reactionary defending in both individual and group levels (see also Brown & Crossley, 2008; Jussila & Tuominen, 2008). At the individual level, territoriality may result in resistance to organizational changes, selfishness, reluctance to share, not letting go and obsession with control (Brown et al., 2005; Pierce & Jussila, 2010). Although territoriality often has a negative connotation, it may also improve organizational functioning and lead to increased performance and retention, both individual, and group level. Control-orientated marking helps maintain system viability due that marking promotes clear manifestation of the boundaries and nature of territories, and therefore, according to Brown et al. (2005): “*can create a shared social map that will subsequently lessen the degree of process conflict*” (p.587). Potential invasions are thereby seen to threaten the individual family member's or the family's sense of self/group-efficacy, one's/group's ability to express one's/group's identity, and one's/group's sense of security. Territoriality can be beneficial in clarifying and simplifying social interactions among family members, which might reduce conflict and enhance effectiveness. However, it might also lead to negative effects, such as not letting go, refusal to share as well as hiding (hoarding of information) in relation to others.

2.4 The utilization of psychological ownership in family business and succession studies

In general, the construct of psychological ownership and its behavioral, attitudinal and motivational consequences have been mainly investigated in studies of organizational behavior (e.g. Dawkins, Tian, Newman & Martin, 2017; Han, Chiang, McConville & Chiang, 2015; Pierce & Jussila, 2011; Pierce, Jussila & Cummings, 2009; Pierce et al., 2001) and psychological ownership is used to explain and predict the behavior of individuals and groups, their motivations and attitudes in workplaces (e.g. Pierce & Jussila, 2011; Pierce et al., 2009). Recently, psychological ownership has also been applied in contexts such as marketing studies in order to explain customer satisfaction, loyalty, word-of-mouth and willingness to pay (e.g., Jussil, Tarkiainen, Sarstedt, & Hair, 2015) and as an explanation on how preferences for domestic brands are formed (Gineikiene, Schlegelmilch & Auruskeviciene, 2017). Additionally, theory of psychological ownership has lately been utilized in consumer behavior studies to explain the endowment effect (Shu & Peck, 2011). On a more general level, psychological ownership has also been investigated in the studies of experimental economics (e.g., Kirk, McSherry & Swain, 2015), social media studies (e.g., Zhao, Chen & Wang, 2016), territorial behavior studies (e.g., Brown & Zhu, 2016), environmental psychology (e.g., Matilainen, Pohja-Mykrä & Kurki, 2017) and in the studies of cognitive psychology (e.g., LeBarr & Shedden, 2017).

During the recent years, theorizing of psychological ownership has been used to capture certain essential features of family business (see Bernhard & O'Driscoll, 2011; Ramos, Man & Mustafa, 2014; Rantanen & Jussila, 2011). On the individual-level, psychological ownership has been utilized to examine non-family (e.g., Atalay & Öztler, 2013; Bernhard & O'Driscoll,

2011; Sieger et al., 2011) and family and non-family (Mustafa et al., 2015; Ramos et al.; 2014) employees' workplace behavior in family businesses. In addition, Ikävalko, Pihkala and Jussila (2008) have studied family business owner-managers' ownership profiles from psychological ownership perspective and López-Vergara & Botero (2015) have analyzed the role of non-economic goals in the formation of IPO. Moreover, Zhu, Chen, Li, & Zhou (2013) have studied professional managers' psychological ownership and suggested that it is positively related to managers' stewardship behavior and intention to stay in the company. On the collective level, Rantanen & Jussila (2011) have suggested that CPO could be used as an indicator of actual family influence and to explain how and why family involvement effects strategic processes that lead to competitive advantages (as well as disadvantages).

As it comes to succession, Mahto et al. (2014) have recently applied psychological ownership theory and argued that a successor may concurrently develop psychological ownership toward multiple targets; including the family firm. However, the development of IPO of other target(s) can conflict with their attachment to the family firm which may influence their turnover intention and commitment to the firm. Savolainen & Kansikas (2013) have analyzed non-family employees' perceptions on psychological ownership during the family business succession process. They argue that non-family employees are participating on the small family business succession and they often do possess a strong psychological ownership towards the family business, their own work, and the founder generation. In addition, non-family employees recognize the changing management and leadership in successions and that non-family employees' psychological ownership increases in succession which influences their commitment and well-being. However, Savolainen and Kansikas (2013) also found that psychological ownership among non-family employees created challenges to succession, as employees resist the succession process as they saw changes created by succession to threaten

them and the continuity of the company. Finally, Sund et al. (2015) have proposed a proprietary approach that establishes requirements to fulfill before the succession takes place. They suggest that both the legal/financial and the psychological aspects of ownership improve intergenerational ownership succession and the post-succession prosperity of the firm.

3. The implications of collective psychological ownership in family business succession

In this section, we discuss the socio-psychological challenges in succession and the main factors related to them, and how CPO affects this relationship. We will also present propositions considering CPO and each of the challenges discussed.

It is widely known that the incumbent's personal sense of attachment with the business is the most cited barrier to effective succession since typically the incumbent is reluctant to let go of control and authority (de Pontet et al., 2007; Lussier & Sonfield, 2012; Sharma et al., 2003). This resistance may stem from incumbent's role loss, for example, as it is stated that leaders face a steep psychological loss in retirement since their work role has offered them control and authority to make all the decisions (de Pontet et al., 2007), great emotional and personal value (Jayaraman et al., 2000) and a level of respect and admiration they may not easily find elsewhere (Kets deVries, 1993). These territorial behaviors; resistance to organizational changes, selfishness, reluctance to share, not letting go and obsession with control (Brown et al., 2005; Pierce & Jussila, 2010) can be seen as consequences of IPO. However, if instead of personal sense of attachment, the incumbent would share collective feelings of psychological ownership (CPO) with other family members, it would be easier for him/her to share the control and knowledge of the business even before the succession and the transfer of leadership actually take place. With CPO this should actually come quite naturally, as shared control over

the target ownership, shared knowledge of the target of ownership and shared investments made to the target of ownership are the routes to reinforce the collective feelings of ownership. Thereby, increase of CPO is accompanied with a decrease in the incumbent's sense of individual (exclusive) possession, which in turn reduces his/her negative territorial behaviors such as reluctance to share and let go of control and authority. Thus, we propose:

Proposition 1: CPO has a positive effect on succession through incumbent's reduced personal sense of (exclusive) possession and associated negative territoriality.

Low ability of the potential successor is one of the successor-related challenges of succession (DeMassis et al., 2008). The successor may lack the necessary skills to take over and this can cause the rejection of him/her by the dominant coalition or the successor to refuse the position. However, an important question is that what is meant by low ability? Does it refer to lack of education, experience, management skills or knowledge of the family business etc.? If low ability is related to such skills and abilities that can be developed by participating to the operation of the family business, we see that these challenges may be overcome in the presence of CPO. According to Pierce et al., (2009), “*complex jobs call upon more of the employees' skills, provides opportunities for them to exercise discretion and make more decisions which results in their having a larger impact which ultimately results in the finished work being a reflection of the individual. (p.483)*”. An increase in demand for skill variety requires that individuals perform a number of different activities using a broader array of skills and talents. While the formation of CPO requires shared control, knowledge and investment, we see that this provides the potential successor an opportunity and tools to develop his/her skills and abilities. That is, learning at the organizational level, is no longer an individual phenomenon, but becomes a collective action (e.g. Brown & Duguid, 1991; Fiol & Lyles, 1985; Hayes &

Allinson, 1998), and reflects both processes and outcomes of group interaction activities through which individuals acquire, share, and combine knowledge (Argote et al., 1999). Accordingly, members of family businesses invest time and effort into learning communication skills to expedite the transfer of experiences and knowledge (Miller & Le Breton-Miller, 2006). Thereby, CPO is positively associated with the potential successor's abilities which in turn makes it easier for him/her to take over the position and to be accepted by the dominant coalition. Thus, we propose:

Proposition 2: CPO has a positive effect on succession since it is associated with increased successor-abilities that positively effect both take-over and acceptance.

Dissatisfaction or lack of motivation and/or commitment of the successor are also often listed as significant problems related to succession (Chrisman, Chua & Sharma, 1998; DeMassis et al., 2008) as they may lead to refusal of the position by the successor or his/her rejection by the dominant coalition. However, CPO is likely to produce positive individual-level attitudes and motivations, such as organizational commitment, organization-based self-esteem, personal sacrifice and risk, since it is likely to satisfy the successor's needs for efficacy and effectance, self-identity, stimulation, social identity and having a place (Henssen et al., 2014; Pierce & Jussila, 2010) as he/she too (together with the incumbent) is given control over the business and the opportunity to develop intimate mutual understanding of the business and to join interdependent investment of selves in the business. Accordingly, this organizational commitment reflects group members' sense of responsibility for the business, willingness to stay and maintain their roles in the business and their desire to preserve and continue the business as a family business (Davis et al., 2005). It can also be seen as the strength of emotional attachment to the organization based on positive attraction and a sense of belonging (Meyer & Allen, 1991). Since feeling a sense of attachment and belonging are the essence of both organizational and family commitment, it seems reasonable to predict a positive

relationship between CPO and both organizational and family commitment. In other words, feeling collectively possessive toward the organization and maintaining such a state through continuous family interaction (with the business) should lead to high levels of commitment among family members. Thereby, we argue that both individual and collective level commitment, are outcomes stemming from the presence of CPO. As the family and business become inseparable, family members are likely to make positive cognitive evaluations of the business and intend to (continue to) contribute to the business and its success (cf. Pierce & Jussila, 2011). Thereby, CPO is positively associated with certain attitudes and motivations of the potential successor that contribute both to his/her decision to take over and dominant coalitions' acceptance of the successor. Thus, we propose:

Proposition 3: CPO has a positive effect on succession since it promotes successor's positive attitudes and motivations (e.g., organization-based self-esteem, organizational commitment, personal sacrifice and risk) toward the family business that positively effect both take-over and acceptance.

Another challenge related to succession is the possible premature loss of the incumbent, which could alter the composition of the dominant coalition, which in turn may lead to changes in goals, succession intentions or outlooks on the attractiveness of succession compared to other options. In addition, the unexpected loss of the potential successor due to death or illness (Handler & Kram, 1988) may also prevent the succession from taking place. However, if there is a closely knit social group, social interactions among the members of that group will result in shared learning, understanding, and consensus far greater than in groups that are more loosely connected (Davis & Harveston, 2001). Accordingly, cooperation and collaboration as joint action are seen as the interaction between members directed toward a common goal, which is mutually beneficial. These shared goals are recognized and determined to reach, and usually achieved by sharing knowledge, group learning and building consensus (Marinez-Moyano,

2006; Simpson & Weiner, 1989). We see that these elements and commitment to common goals may be a result of CPO. Accordingly, these elements and commitment to common goals can increase collaboration or at least set the tone for collaboration, cooperative behaviors (e.g., collective planning and decision-making) and other interpersonal interactions (Danes, Rueter, Kwon & Doherty, 2002; Habbershon & Astrachan, 1997; Sorenson, 1999), also in the case of the premature loss of the incumbent or the successor. That is, due to the close connection between the target of ownership and group members, we expect that those that experience a strong sense of CPO will engage in behaviors, which improve the group's internal functioning and the attainment of future group outcomes in crises. Thereby, CPO is positively associated with group's consensus, commitment to common goals and co-operative behaviors, which in turn eases the survival from the premature loss of the incumbent or successor. Thus, we propose:

Proposition 4: CPO has a positive effect on succession since the resulting consensus, commitment to common goals and co-operative behaviors make it easier to survive the premature loss of the incumbent or the successor.

The problems related to relationships between different individuals and groups (e.g., incumbent and successor, potential successors, relatives and spouses) are among the main challenges of succession (Levinson, 1971, Morris et al., 1996; Venter et al., 2005). Such problems can include competition and jealousy (Kets de Vries, 1996), bad communication (Davis & Harveston (1999) and difficulties in role and power transfer (Cadieux, 2007; Handler, 1990). For example, handling of the succession process, management of expectations, and the final choice of the successor, can cause tensions between individuals and/or group members (Jayantilal et al., 2016). However, Pierce and Jussila (2010) suggest that CPO will lead to a pride in intra-

group sharing (e.g., ideas, time, and energy) which emanates from the individual's elevation of the team's goals and success to a higher plane than one's own personal interests. CPO also promotes the emergence of group potency and group effectiveness, which require good interpersonal skills, including open communication, and mutual sharing and support (Seymour, 1993). Considering group potency as an outcome of CPO, it might be reasoned that once individual feelings of ownership become collective and shared with others, the group develops a collective belief that "together we can accomplish much more". This is likely to increase group harmony and decrease competition between individuals also in the case of succession. Thereby, we argue that conflicts and rivalries are likely to emerge in the absence of CPO; in other words, in cases when the group has not developed strong sense of "US" and that "*this is OUR business*". In contrast, when there is strong CPO, there should be low levels of competition and tensions between group members as the target of ownership is shared as well as the territories linked to it. Thereby, CPO has a positive effect on group dynamics, which in turn reduce problems related to relationships between different individuals and groups. Thus, we propose:

Proposition 5: CPO has a positive effect on succession, since it promotes positive group dynamics that decrease tensions among family members.

Family's desire to maintain power and authority, and/or family and non-family members hostility towards new family members or potential outside successors for example both reflect the natural desire to protect one's/group's territory (their little world) from all the forces that dominate the environment (see Kets DeVries & Miller, 1984). Brown and colleagues (2005) argue that it is the infringement and/or the fear of infringement into one's territory that is likely to trigger protective (and defensive) behaviour. Additionally, in most cases, defensive behavior

seem to occur, when change is externally imposed; the family with a strong sense of possession may feel threatened and may try to protect their ‘turf.’ The fulfilment of the basic needs of efficacy, self/group-identity, having a place and stimulation means that the territory in question has stronger psychological value to the family, motivating them to communicate with each other (through marking), and to protect and keep (through defending) it as their own. Potential invasions are seen to threaten the family’s sense of group-efficacy, group’s ability to express group’s identity, and group’s sense of security. When outsiders come into contact with the family business, and if the anticipated or experienced relationship is evolutionary, additive, and collaborative in nature, it is likely that promotive territorial behaviors come to materialize (see Dirks et al., 1996). Thereby, CPO can be seen to promote a set of orientated territorial behaviors such as caring and protective behaviors directed to the target of ownership (Pierce & Jussila, 2011; Brown et al., 2005). Thereby, CPO is positively associated with group’s desire to maintain power and authority, which in turn increases groups’ positive territorial behavior. Thus, we propose:

Proposition 6: CPO has a positive effect on succession since it increases group members’ positive territorial (caring and protective) behavior toward the business.

Lack of trust and/or commitment in the potential successor(s) by family and/or non-family members can be a source of problems in succession. As presented earlier, commitment to the business and to the group represents a form of psychological involvement and emotional attachment that contributes to identification with the firm (Zahra, Hayton, Neubaum, Dibrell & Graig, 2008), a strong organizational identity (Milton, 2008) and culture (Astrachan, Klein & Smyrnios, 2002) around which the group members can build enduring relationship. It is argued that when one member of the group (e.g., the successor) experiences and behaves in a committed way, it increases the probability that other group members will experience

commitment also (Barsade, 2002, Rhoades & Eisenberger, 2002). Thereby, we argue that since feeling a sense of attachment and belonging are the essence of both organizational and family commitment, it seems reasonable to predict a positive relationship between CPO and both organizational and family commitment. In addition, kinship family ties promote trust through the greater information sharing and shared sense of purpose that result from a tightly knit social structure (the family). Thereby, CPO has a direct impact on collective feelings of a sense of attachment and belongingness (which in turn increase trust and commitment). In other words, we argue that CPO promotes both trust and commitment to the successor and among group members in general. Thus, we propose:

Proposition 7: CPO has a positive effect on succession, since it fosters trust and commitment among family members.

In the next chapter, we will provide a summary of the implications of CPO to succession in family firms. We will also discuss the contribution of our work and provide further research avenues as well as practical implications.

4. Discussion

In this paper, we have introduced collective psychological ownership as tool to understand and overcome the socio-psychological challenges related to family business succession. When analyzing the main socio-psychological challenges related to family business succession (see De Massis et al., 2008), it can be argued that many of the positive effects related to CPO (see Pierce & Jussila, 2010) can help to overcome these challenges. In other words, it is likely that

many of these challenges are more likely to arise in the absence, than in the presence of CPO. Figure 1 illustrates the conceptual model of the proposed relationships.

-----Insert Figure 1 around here-----

By travelling down the routes of CPO by collectively exercising shared control over the business, by collectively interacting with the business in order to develop a shared intimate understanding of it and by making interdependent investment of selves, group members' can satisfy their needs for efficacy and effectance, self-identity, place to dwell, stimulation and social identity. We propose that group members are likely to develop collective feelings of ownership toward the business that they together operate. We propose that this fusion, as a socially constructed shared mind-set between the collective as a social system of individuals and business as both physical and social entity, determines the nature (loose, tight) of the collective (cf. Rantanen & Jussila, 2011) and more fully explains motivations, attitudes, and behaviors of the individuals and groups (Pierce et al., 1991; Pierce et al., 2001).

CPO reduces incumbent's personal sense of attachment and negative territorial behavior making it easier for him/her to share control and authority for instance. Additionally, CPO increases successor's positive attitudes, abilities and enhances motivations. As it comes to the relationship between siblings (or other potential successors), we argue that CPO is likely to decrease tensions among group members. That is, due CPO, the group members are likely to commit themselves to group goals (e.g., continuity of the family business after the succession), put aside their personal interests (e.g., to hold a certain managerial position in the business)

and set tone for collaboration and co-operative behaviors. Noteworthy, CPO is likely to make it easier to survive from the premature loss of the incumbent or the successor, as the group has common objectives. CPO is also likely to diminish group members' need to establish their own personal (exclusive) place in the business where the others have no authority, which might also be beneficial for the company as well as the succession. CPO also enhances commitment and trust among the group members.

We argue that there is a reciprocal relationship between CPO and its effects. For example, CPO can be seen as a predictor of commitment since it reflects group member's emotional attachment to both, the organization and the group. Additionally, commitment has potential to promote the development of CPO, which in turn (when existing), may contribute back to commitment. In other words, the positive effects of the family that result from collective feelings of ownership among family members, have the potential to promote the development of CPO, which in turn (when existing), may contribute back to and reinforce the effects.

Our work has many valuable contributions to the knowledge of family business succession. While the economic and formal (planned) aspects of succession (Brown & Coverley, 1999; Harveston, Davis & Lyden, 1997; Tatoglu, Kula & Glaister, 2008) have been emphasized in family business succession literature (Lam, 2011), our first contribution is that we focus on the social and psychological nature and dynamics of succession (e.g., Handler, 1994; Lam, 2011; Levinson, 1971) that have received only cursory attention in previous literature. Second, while the concept of psychological ownership has been applied to the context of family firms in general (Bernhard & O'Driscoll, 2011; Mustafa et al., 2015; Ramos et al., 2014) and succession in particular (Mahto et al., 2014; Savolainen & Kansikas 2013, Sund et al., 2015), it is noteworthy that this research has remained on the individual level. Thereby, our contribution

is that unlike any earlier study we are aware of, we apply CPO to deepen understanding on the phenomenon of family business succession and its socio-psychological challenges. Third, while the succession is seen as highly emotional, dynamic and challenging process (Kets de Vries, 1993), we shed light on the complex dynamics that affect the success or failure of the succession process with CPO. Fourth, with the introduction of CPO, we add understanding of why members of family business think and behave as they do in the succession process (cf. Lam, 2011). Fifth, we enrich thinking of CPO (Pierce & Jussila, 2010; Rantanen & Jussila, 2011) by bringing in family and many other possible groups related to succession as social units with unique features that need to be considered the subject of ownership. These contributions can be seen as having significant value to both, future research and practice of family business, since they help us think of, articulate, and manage complex processes that have previously been a mystery to both families in business and academics studying them.

Limitations and implications for future research

It should be acknowledged that this paper is theoretical in nature. Therefore, our propositions should be verified empirically. Moreover, we would like to note that even though CPO can be seen as a predictor of certain motivations, attitudes and behaviors that are related to successful succession, it does not guarantee it. That is, the existence of CPO per se does not guarantee that group members' actual behavior is favorable for succession, as other social psychological factors may exist and affect individual and group motivations, attitudes and behavior, which in turn affect succession. Thus, future research should take this into account, and provide with empirical evidence in order to test our proposals and also provide rich contextual accounts to enrich the picture. Additionally, CPO among group members is likely to increase territorial behaviors against outsiders, which may cause difficulties if the potential successor is someone

outside the group. This may lead to resistance and have a negative effect on succession and should be taken into account in future investigations.

Moreover, it should be acknowledged that economic, formal (e.g. legal) and social-psychological dimensions all affect succession, and the eventual outcome of the succession is formed in the interaction of these dimensions. Therefore, social psychological factors including CPO can only be isolated from the other dimensions in theoretical level in order to illustrate its effects. Therefore, attempts to manage the social-psychological dynamics including CPO alone do not guarantee successful succession, but they can create favorable conditions for succession by mitigating some of the challenges. Thus, future research should address the following questions: What are the effects of different factors to succession? What are the interrelationships between these factors (e.g., do they reinforce or diminish each other)? As an example, do well functioning formal processes in the family firm assist the formation of CPO? Or how does the history of the firm (e.g., has the company undergone many successions vs. is it the first succession) affect to the formation of CPO?

As pointed out, our research opens up several avenues for future research. So far, research on CPO has not thoroughly addressed the fact that the collectives in which the formation and existence of CPO takes place, are not a homogenous. That is, research on family businesses has illustrated that family firms have special features as it comes to organization culture, values, history, commitment etc. Therefore, the impact of these distinctive features is likely to vary in different contexts. Additionally, it should be acknowledged that there are many possible groups related to succession and among whom CPO can develop. As an example, the possibilities to overcome challenges related to succession may vary depending on among which collective CPO comes to exist (e.g., incumbent and the selected successor, incumbent and group of

potential successors, siblings, other family members, non-family members, both family and non-family members etc.). Thus, these features of different collectives and contexts should be acknowledged in future studies in order to gain more specialized knowledge on the phenomenon. That is, research on CPO should address and treat families as distinctive social units. Thereby, we strongly encourage researchers to further investigate CPO in family business context and succession settings in order to develop comprehensive understanding on the phenomenon.

Practical implications

Our work has also many practical implications. We argue that CPO makes it easier for the group members to share control of the business, which has a positive effect on succession. Thus, it is important that the leaders of family businesses pay attention to the development of CPO already before the succession actually takes place. While CPO is not likely to emerge unless the group travels down the routes of CPO by collectively exercising the shared control over the business, collectively interacting with the business (in order to develop a shared intimate understanding of the business) and collectively making investments, it is vital that the incumbent encourages the successor (or the group of potential successors) to be involved and take responsibility over the business in early stages of the succession process.

As a practical example, potential successors can participate to different types of development projects and take different roles and positions in the organization and its committees in order to develop a sense of attachment and belonging to both the group and the company. This way, the potential successor is offered possibilities improve to his/her abilities, use his/her voice both individually and together with the incumbent and to show to the family and dominant

coalition his/her ability to take responsibility and cooperate. This may also improve the motivation and commitment of the (potential) successor towards the taking over the business. Thus, when eventually taking over the business after succession, the potential successor is both skilled business manager and trusted and committed part of the group. Thereby, acceptance from other group members may also come more easily. Additionally, the shared control, collective interaction and collective investment to the business makes it easier for the incumbent to let go of the business and his/her personal sense of attachment is not likely to cause such severe problems.

Conclusions

While the importance of socio-psychological dimensions in succession have been acknowledged in previous research, less attention has been given to the means to overcome these challenges. In this study, we have introduced CPO as tool to overcome socio-psychological challenges related to family business succession. We have also provided propositions for future research to test. We argue that CPO has many implications to the attitudes, motivations and behaviors of individuals and groups, which in turn have positive effects on succession. With this study, we have also offered avenues for future research and provided family business practitioners with practical implications.

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Figure 1. Conceptual model of the proposed relationships

