

Emotional Ownership: The Next Generation's Relationship with the Family Firm

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The 'next generation' is the key to sustainability and long-term survival of a family business. Their commitment to the business and willingness to take a position of responsibility are essential for a successful leadership transition. Though this is an important aspect, knowledge gaps exist when it comes to the next generation's relationship with the business. In this paper, the authors attempt to identify the determinants of this relationship. At the first stage, they conducted a qualitative study to understand the fundamental elements of the relationship between the next generation and the business.

Emotional Ownership

After a series of interviews of next generation members and their seniors across a sample of eight family firms, the authors identified two basic components of this relationship - 1) **Attachment** - the emotional tie or closeness and 2) **Social Identity** - a sense of oneness with the larger human aggregate (i.e. the family business). The authors noted that the words 'emotional' and 'ownership' frequently occurred, often in the same sentence, in most interviews. Authors inferred that the combined use of these words, conveyed a sense of ownership which had a sentimental value and attachment to the family business, beyond the monetary value of ownership. They termed this concept as 'Emotional Ownership.' It is the emotional bond between the business and its family owners. For long-term survival of a family business, it is important that the next generation members score high on emotional ownership.

Drivers of Emotional Ownership

In the next stage, the authors conducted a quantitative study to identify the antecedents of 'Emotional Ownership.' Based on the analysis of a survey conducted among 960 respondents, the authors identified three determinants of emotional ownership –

1. **Family climate** - Family dynamics and relationships were found to play a crucial role in determining the quality of the next generation's relationship with the family business. Strong emotional bonding among family members, open communication and high adaptability contribute to a positive family climate, which in turn, strengthens emotional ownership in the next generation.
2. **Fair Process of Integration** - It is the next generation member's judgment of procedural fairness of family members' entry in the business. Fair process of integration of the next generation leads to higher levels of emotional ownership. If on the contrary, in the entry phase a next generation member sees instances of nepotism, sexism, lack of opportunity of

being heard, then he/she is likely to have reduced levels of commitment and emotional ownership.

3. **Group Support** - Family firm's support to the next generation members strengthens their emotional ownership. Interaction with out-groups - like that of peers from similar family businesses - augments the emotional ownership of the next generation. This happens because the awareness of other groups/family businesses enhances awareness of one's own group/business and strengthens the emotional bond with the business.

Practical Implications -

Business families must nurture strong bonding among family members, cultivate adaptability and have open communication channels to ensure a positive family climate. Objective and fair mechanism must be adopted for entry of family members in the business, so that the next generation member can invest his/her social identity in the organisation. Group support from within and also from external peers goes a long way in increasing the next generation member's awareness and emotional bonding with the business. Family firms that are able to provide these enablers, strengthen the emotional bonding of the next generation with the business. By engaging their interest, the family business can develop future stewards out of the next generation members.

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