

## Family Businesses: Overcoming Covid-19 Crisis by Enhancing Psychological Ownership

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Family Businesses are known to have an edge in their strong ownership mindset, given their key raison d'être is to grow their business and to pass it on to the next generation in a better condition - which is the very crux of the nature of stewardship.<sup>1</sup> As such, stewardship traits inherent in a family businesses seem to confer these companies with an innate structural advantage in times of crisis. Besides possessing an ownership orientation, family businesses are usually anchored on solid foundational values;<sup>2</sup> and they do have a tendency to think for the long-term, and build strong stakeholder relations over time<sup>3</sup>.

Whether the above structural factors will be enough for family businesses to survive the current COVID-19 induced economic crisis remains to be seen. However, it is clear that how family businesses react to the crisis will determine their future growth, beyond mere survival as well as the legacy they will get to leave. Now more than ever, family business owners need to cultivate resilience and re-evaluate their long-term strategies with a stewardship lens to survive and to thrive.<sup>4</sup> A key strategy to achieve this is to cultivate and reinforce a sense of psychological ownership. This visceral feeling of ownership forms a rallying point between owners and internal and external stakeholders to work towards a collective goal. The key question is: How do we make an intangible yet vital attribute like *psychological ownership* more tangible (practical), harnessing it as a lynchpin in this dire climate?

### ***Psychological Ownership Behaviours build Resilience***

Psychological ownership acts as the binding glue that bolsters the company's resilience. It operates in the realm of thought, intention and emotion. Where present, it drives one to identify with, take responsibility for and form attachment to their company.<sup>5</sup>

Psychological ownership can be understood as having an *innate sense of responsibility* and a *high level of emotional connectedness*. In the current climate, organisational leaders with an innate sense of responsibility tend to act beyond enforced legislation and will go the extra mile to reorganise business strategies to reduce employee health risks and financial burdens during this time. When there is emotional connectedness, there will be a higher tendency for one to sustain their commitment and passion necessary to create long-term value for the company. In contrast, someone with a distant and apathetic mindset may opt for an early exit at first signs of impending crisis, even though they have staying power.

In practice, this means that owners who have an innate sense of responsibility and are emotionally connected to the well-being of the company, will in times of crisis, take the hard decisions necessary to be resilient. For example, Tim Boyle, the CEO of sporting goods manufacturing and retailing company Columbia Sportswear, announced that he would cut his annual salary to US\$10,000 from an estimated US\$3.3 million (received as compensation in 2018 according to the latest available data) so that his employees can receive their regular

pay even though the company's physical stores are closed due to the pandemic.<sup>6</sup> Likewise, many family business owners are seeking to furlough their staff instead of firing them in order to sustain their income stream and also insure that, in the long-term, their business can continue operations after the crisis has passed.

### ***Psychological Ownership amongst Stakeholders builds resilience***

For a Family Business to function cohesively, drive growth and be resilient, a mindset of psychological ownership needs to be embodied by everyone, including the company's internal and external stakeholders.

#### *Internal Stakeholders*

Leaders can espouse psychological ownership by carefully nurturing, developing, and advocating the ownership culture amongst all stakeholders. This is writ large in the actions of Dan Price, CEO of Seattle-based financial services company, Gravity Payments. He took the lead in cultivating an ownership mindset by engaging his employees in decision making. Faced with the prospect of having to lay-off 20 per cent of his workforce due the COVID-19 crisis halving his company's monthly revenue, Price took the unprecedented move of consulting with his employees on how to proceed. His employees unanimously decided to take a pay cut so that everyone could stay. However, individual employees had different financial needs which would not be served by a uniform pay cut. Hence, each employee was allowed to privately state how much of a pay cut they could afford to take. It is projected that these voluntary pay cuts will effectively allow the company to survive another eight to twelve months without needing to lay-off employees.<sup>7</sup>

#### *External Stakeholders*

Instilling psychological ownership in external stakeholders is also crucial for family businesses as they often exert considerable influence and pressure on companies (and often, *vice-versa*). Suppliers and customers, as well as the government, shareholders, investors and the external community are all part of the network of trust that company owners need to build via open communication and engagement. External stakeholders who share a strong sense of psychological ownership would be much more likely to take a unified stand and support the decisions of family business when navigating this crisis. Sri Lankan tea company, Dilmah exemplifies this well. Taking a stake in the well-being of its societal stakeholders, the company has taken proactive steps to engage multiple levels of external stakeholders to mitigate the impact of the COVID-19 crisis on its operations: it is providing financial, medical and logistical assistance to the Sri Lankan government so that the country (and hence the community in which Dilmah operates) can better deal with the COVID-19 crisis. It is also mobilising the business community in order to have a coordinated and unified response to the crisis. Finally, it is also communicating with its customers and reassuring them that the company remains resilient in the face of the crisis.<sup>8</sup>

Such stories demonstrate that a collective sense of psychological ownership can be a potent point of convergence to build resilience. Engaged stakeholders, bonded by trust and a sense of pride, can be a major positive force for the company to be agile in effecting change during

this crisis. This shared determination will set the stage and empower the company to scale greater heights in a post-crisis world.<sup>9</sup>

### ***Fostering a Sense of Psychological Ownership***

To foster a sense of psychological ownership, family business owners need to first assess the level of ownership within their organisations. With this understanding, owners can then work towards cultivating this attribute within their organisations. The following reflective questions are a good starting point for leaders to evaluate how ownership is being expressed and encouraged within their companies.

#### **Fostering a sense of ownership among your most important stakeholders: your employees**

1. ***Fostering a collective sense of ownership, especially in times of crisis:***

Are the decisions you have made in response to the crisis based on your core values? Are they carried out in an expeditious manner, in the context of the current crisis? How can you create a sense of job security among your employees? What other measures can you take to motivate your employees to take responsibility for the company's survival and well-being in this crisis as they would their own? What measures has the company taken to ensure the well-being of your employees?

2. ***Transparency in communicating measures to deal with the COVID-19 crisis:***

Do you communicate the measures your company is taking to stay resilient in a transparent manner to your employees? Do you ensure that there is an environment of psychological safety so your employees can share their thoughts on measures implemented, especially in this climate where there is a prevalent fear of displacement?

3. ***Projecting beyond the crisis:***

Take note of the tangible and intangible resources that you are capitalizing on in planning for the long-term growth of your company in the midst of this crisis. Are you using this experience to build resilience for future crises?

#### **Ownership amongst leaders**

4. ***Cultivating psychological ownership:***

What measures you have in place to ensure that the Family Business leadership (and board) maintains and cultivates a sense of psychological ownership over the company?

5. ***Unity in leadership direction:***

How do you ensure that the Family Business leadership is congruent in terms of long-term vision? Is your leadership making decisions based on the founding values?

6. ***Conflict management:***

What measures do you take to ensure any tension over crisis management is resolved in a manner that acknowledges everyone's stake in the company?

### Fostering an ownership mentality among stakeholders other than employees

**7. Identifying and engaging key stakeholders:**

Have you identified your key stakeholders in the wider ecosystem in this time of crisis? How do you take into account their views when making strategic decisions?

**8. Communication and building trust with stakeholders:**

Do you ensure transparent communication with your external stakeholders? What measures do you have in place to build trust between your key stakeholders and company leadership in this crisis?

**9. Considering your business ecosystem:**

Are your suppliers, investors and your community a part of your consideration as you plan your long-term strategy in overcoming this crisis, and for growth beyond the crisis?

### Looking ahead

Family business owners have a difficult path ahead of them to take the right steps and survive the COVID-19 economic crisis. Proceeding with a mindset of psychological ownership – be it at the personal or stakeholder level – will allow owners to build resilience and steward their companies forward in the direction of growth. This is a key moment for Family Businesses to prove their mettle and create a legacy, proving that this is, as Winston Churchill puts it, their “finest hour”.<sup>10&11</sup>

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<sup>1</sup> Stewardship Asia Centre. (2018). Stewardship principles for Family Business. Retrieved from <https://www.stewardshipasia.com.sg/stewardship-principles-family-businesses>

<sup>2</sup> Singh, S. (2018, March 27). Continue tradition of great founders: Chris Zook, Bain & Company partner. *The Economic Times*. Retrieved from <https://economictimes.indiatimes.com/news/company/corporate-trends/continue-tradition-of-great-founders-chris-zook-bain-company-partner/articleshow/63471974.cms?from=mdr>

<sup>3</sup> Plaster, A. G. (2020, March 25). Family businesses should stay resilient during COVID – 19. *bakertilly*. Retrieved from <https://www.bakertilly.com/insights/family-businesses-should-stay-resilient-during-covid>

<sup>4</sup> Stewardship Asia Centre. (2018). Stewardship principles for Family Business. Retrieved from <https://www.stewardshipasia.com.sg/stewardship-principles-family-businesses>

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