

Founder dynamic psychological ownership: Impacts on self and others at work

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Abstract

As ventures grow, founders must decide between hanging on to control over venture decision-making or delegating authority to professional managers. This decision is challenging since founders are typically driven by strong feelings of ownership toward their ventures. Adopting a qualitative research design with a grounded theory approach, we investigate the psychological ownership impacts on self and others within the venture when founders delegate decision rights to professional managers. Our analysis draws on in-depth interviews with 30 founders and 14 professional managers hired by the founders. We develop the first process model of founders' dynamic venture-targeted psychological ownership and demonstrate how recalibrating psychological ownership is key to the successful delegation of authority to professional managers. Our conceptual model also outlines a novel relationship between recalibrated psychological ownership and founder identity work. We outline our theoretical contributions to psychological ownership and identity control theory and offer practical advice to founders and their professional managers to help with the successful recalibration of founders' venture-targeted psychological ownership in support of effective delegation and venture growth.

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KEYWORDS

entrepreneurship, founder, identity work, professional manager, psychological ownership, social environment

INTRODUCTION

Venture growth is an extremely rare accomplishment (Aldrich & Ruef, 2006). Empirical studies suggest that only a small fraction of new ventures are likely to grow sufficiently to evolve into large companies (e.g., Barringer et al., 2005). Conventional wisdom, literature on organizational growth, and literature on entrepreneurship all hold that fast-growing firms quickly outgrow the founder's managerial capacities as firms increase in size and complexity. When this occurs, firm performance starts to deteriorate due to delayed or flawed decision making. To conquer this "leadership crisis" (Greiner, 1972), founders must hire professional managers and transfer decision rights to them in a timely manner. However, this is often not easy for them. Pierce et al. (2001, 2003) argue that founders, driven by strong feelings of ownership, believe that they have the right to control and make all important decisions for their ventures. Thus, founders may perceive delegation of authority as a threat to their psychological ownership (PO) (De Vries, 1988), and may resist effective delegation (Murnieks et al., 2014). Indeed, organizational growth theorists suggest that the greatest barrier to delegation is the founder who clings onto control over the venture (Perren & Grant, 2001). Instead, founders often need to surrender a significant amount of control to professional managers in order to keep and/or attract needed financial and advice resources (Wasserman, 2003, 2008). We currently do not know how founders resolve the challenge to their PO when professional managers are brought into their ventures, nor do we understand the impacts of founder's PO on professional managers and other venture-specific employees. Resolving this challenge effectively while mitigating the potential dark side consequences of PO is important to ensure ongoing venture success (Levie & Lichtenstein, 2010).

PO is defined as a "state in which individuals feel as though the target of ownership (material or immaterial in nature), or a piece of it, is theirs" (Pierce et al., 2001, p. 299). This cognitive-affective attachment is rooted in feelings of possessiveness and being psychologically tied to a tangible or intangible object (such as a new venture or an idea), as those objects become part of the extended self (Belk, 1988; Furby, 1978). Although founders' strong PO is known to support venture success (e.g., Cardon et al., 2005; Wasserman, 2008), we know surprisingly little about the stability of founders' PO toward their ventures, and how this might be affected when decision-making authority is delegated. We also know little about the impacts of founders' potential PO evolution on their professional managers, and more broadly, on the venture's employees. We seek insights on these phenomena by answering the research question: *What are the psychological ownership impacts on self and venture-specific others when founders delegate authority to professional managers?*

To answer these questions, we adopted a qualitative research design, conducting in-depth interviews with 30 technology founders/cofounders who recently added professional managers to their companies. We also conducted in-depth interviews with 14 of these professional managers.

Our inductively and abductively generated findings from our founder and professional manager interviews make several contributions to PO theory, particularly in the context of venture growth and delegation. First, we extend PO theory by introducing a dynamic process model of

PO that maps how founders are able to maintain their venture-targeted PO by resolving the delegation-induced challenge to their rights associated with PO. We uncover three distinct founder response pathways: PO recalibration by redefining the meaning of PO, PO abandonment, and PO status quo maintenance. While PO is a well-established psychological construct, previous studies have treated PO as static. Our study shows the dynamic nature of PO. Moreover, our study is the first to identify a specific mechanism for venture-targeted PO evolution. We introduce the right to imprint as important to the mechanism of PO recalibration by founders. Second, we extend PO theory by elucidating the social environmental impacts of founders' dynamic PO. We identify bright side and dark side implications of founders' PO evolution for their professional managers, and employees in general. We also contribute to an emerging understanding of PO change by identifying that when PO is recalibrated, founders look to those around them to verify their PO claim.

In addition, our study offers several important practical contributions. Our findings give founders and their professional managers a roadmap for how to support venture growth through effective delegation, while preserving founders' venture-targeted PO. Our findings give coaches and mentors the insights they need to educate founders on the bright and dark side implications of PO evolution, and how to recalibrate their PO. As well, our findings offer professional managers direction on the need to help their founders succeed in recalibrating their venture-targeted PO that, in turn, will help them to secure job autonomy in support of building stronger ventures.

We begin by outlining the theoretical underpinnings of our study and its method. We then present and discuss our empirical findings before concluding with our study's contributions, limitations, and recommendations for future research.

CONCEPTUAL FOUNDATIONS

A dynamic view of founders' PO

PO refers to a state of the mind in which an individual feels the target of ownership is "mine" (Pierce et al., 2001, 2003). Pierce et al. (2001) suggest that individuals incur the feelings of PO through three major routes: developing control over the target (the ability to use and control the use of objects), learning about the target (association with objects), and investing self into the target (the investment of an individual's energy, time, effort, and attention into objects). Establishing PO means certain rights accrue to individuals, and individuals actively experience PO by exercising these rights (Pierce et al., 2001). Specifically, the right to knowledge about the target of ownership and the right to make decisions that impact the target are those most frequently associated with PO (Kubzansky & Druskat, 1993).

Current entrepreneurship research supports that founders can hold strong feelings of ownership toward their ventures (e.g., Cardon et al., 2005; Dodd, 2002). A founder typically develops PO over the venture in the process of venture creation because the founder has extraordinary control, knows every aspect of the business, and has begun to view the venture as part of the founder's extended self (Dittmar, 1992). As the venture grows, the founder's PO is reinforced by leading the venture and taking on all responsibilities to protect, make sacrifices for, and nurture the venture. PO has been found to influence a host of important outcomes including passion (Cardon et al., 2005), possessiveness (Ikävalko et al., 2010), commitment (Gimeno et al., 1997; Wasserman, 2008), persistence (DeTienne et al., 2008; Hsu, 2013),

overconfidence (Forbes, 2005), governance (Arthurs et al., 2007), IPO strategy (Fattoum & Delmar, 2012), and exit (DeTienne, 2010).

Despite the increase in research on PO, Dawkins et al. (2017) point out in their review of the literature that extant research has largely considered PO to be static, even though there are arguments that social environmental changes likely challenge the stability of PO over time (Brown et al., 2005). Not surprisingly then, Dawkins et al. (2017) conclude their review by highlighting the need for research that recognizes and investigates the dynamic nature of PO.

Entrepreneurial ventures are an ideal environment to study PO. While they are likely to engender strong feelings of ownership among founders, as ventures grow they also create environments where PO may change. Early in venture development, founders assume responsibility and authority for all major business functions. As ventures grow, professional managers with the appropriate set of managerial and leadership skills are added to take on a variety of functions. Through this process, ventures shift from informal, rule-of-thumb methods of management to formalized ones (Greiner, 1972). Importantly, venture performance is predicted to stagnate or decline unless the founder delegates tasks to these professional managers in a timely manner (Hofer & Charan, 1984). Therefore, hiring professional managers that typically necessitates delegation is an essential social environmental change for founders who want to grow their ventures.

However, founders may feel their expected rights associated with PO are challenged when delegating to professional managers because delegation is likely to weaken the founder's control over the venture and constrain the founder's access to knowledge of all the facets of the venture. Thus, delegation can prevent founders from experiencing their venture-targeted PO in established ways and this becomes a threat to the stability of their PO. Surprisingly, we do not know how founders respond when these established PO rights are challenged. Understanding this PO process is important because delegation is critical for venture growth and founders' thoughts and feelings related to PO can significantly influence their ability and willingness to grow their businesses (Wang et al., 2019).

Impacts of founders' dynamic PO on professional managers

We also do not know the social environmental knock-on effects that founders face from a delegation-induced challenge to founders' PO rights. Specifically, professional managers are hired to take on managerial rather than administrative tasks by using specific skills and capabilities that are usually not possessed by the founder (Drucker, 1985). These professional managers do not expect to take instructions in a mechanical or passive way, but rather they expect to be delegated decision rights by founders to handle new situations with their knowledge and skills (Foss et al., 2007). Professional managers may even feel upset, betrayed, or surprised if a founder engages in territorial behaviours that infringe on their actual or perceived decision rights (Brown et al., 2014). We do not know the implications of changes in founders' venture-targeted PO on key people in their social environment at work, namely the professional managers brought in to help these ventures thrive. It is, therefore, both interesting and important to investigate the dynamics of founders' PO in delegation, as well as impacts on the venture's employees more generally within founders' social environments at work.

To summarize, organizational growth and PO theories support that bringing professional managers into a venture likely challenges founders' PO rights which will, in turn, impact both founders and the professional managers they work with. We do not currently know how

founders resolve this delegation-induced challenge, or how their responses impact the professional managers they hire and their employees, more generally.

METHOD

Considering the paucity of research on PO as a dynamic construct (Dawkins et al., 2017), we selected a constructivism epistemology as advocated by Yin (2016), and adopted a grounded theory approach incorporating contemporary epistemologies (e.g., Charmaz & Thornberg, 2021; Suddaby, 2006). As subscribed by Charmaz and Thornberg (2021), we engaged in reflexivity throughout the research process, made our research moves as transparent as possible, and read relevant literature but did not necessarily take it as true or final. Grounded theory is well suited to elaborating existing theories and to exploring poorly understood phenomena (Suddaby, 2006) and social environmental impacts across a founding firm (Dunwoodie et al., 2023).

Sample description and data collection

We employed a theoretical sampling approach common in theory-extension qualitative studies (e.g., Gersick, 1988). We conducted semi-structured interviews with founders and their professional managers to understand the PO implications of the delegation of authority in their ventures. Specifically, we drew our informants from (1) founders/cofounders of Canadian technology start-ups and (2) professional managers brought on board by the founders to be the Chief Financial Officer, Chief Operating Officer, or Chief Technology Officer. Since nearly all new ventures are created by teams (Klotz & Neubaum, 2016), we included co-founders in our study to ensure we were fully capturing the phenomena of interest. Informants were primarily drawn from within three incubators, but a snowballing approach was also used to acquire additional informants. The first author contacted the founders/co-founders of the ventures and conducted interviews. At the conclusion of each interview, informants were asked to identify the professional manager(s) they had hired, and the first author interviewed them within a month. The professional managers in our study were brought into their ventures within three years of the interviews, and most were hired within the previous two years. All interviews were retrospective to the beginning of the delegation of decision rights, and no compensation was offered. Kvale (1996) suggests that theoretical saturation is typically reached at 10–15 interviews. We reached a point where we judged the sample had the capacity to answer our research question (Dunwoodie et al., 2023) and where no new insights were forthcoming at 30 founders, and 14 professional managers. We provide details on our founders and their firms in Tables 1 and 2.¹

In total, we conducted 44 in-depth interviews, typically 60–90 min in length following a semi-structured interview guide. During the interviews, we did not use words drawn from extant literature or our ongoing comparative analysis such as PO, recalibrated, evolved, dynamic, meaning standard, intimate knowing, investment of self, or abandoned. This helped ensure we were not leading informants but instead capturing the actual words that founders and professional managers use when describing their PO and delegation-related experiences. For founders, the key themes we explored in the interviews were: venture-targeted PO existence; own/other PO meaning; delegation experiences; thoughts and feelings on delegation necessity; and, changes in PO perceptions (if not already uncovered). For professional

TABLE 1 Informant profiles.

Informant	Age	Gender	Education	Serial founder	ENT/PM experience (year)
FA-3-1	30s	M	M	N	4
FA-3-2	30s	M	M	N	4
FA-3-3	30s	M	M	N	4
FB-3-1	30s	M	H	Y	>10
FB-3-2	50s	M	B	Y	>10
FB-3-3	20s	M	M	Y	7
FC-2-1	20s	F	B	N	5
FC-2-2	20s	M	B	Y	6
FD-1-1	30s	M	B	N	3
FE-1-1	40s	M	P	N	3
FF-3-1	20s	M	B	Y	4
FF-3-2	20s	M	B	N	1
FF-3-3	20s	M	B	N	1
FG-2-1	20s	M	B	Y	4
FG-2-2	50s	M	B	N	2
FH-2-1	30s	M	M	Y	6
FI-2-1	30s	M	M	N	>10
FI-2-2	30s	M	M	N	10
FJ-3-1	20s	M	M	Y	>10
FJ-3-2	30s	F	M	Y	>10
FJ-3-3	20s	F	M	N	3
FK-2-1	20s	M	M	Y	8
FL-2-1	30s	M	D	N	6
FM-2-1	50s	F	B	N	4
FN-2-1	20s	M	B	N	8
FO-3-1	50s	M	D	N	4
FO-3-2	40s	M	M	Y	>10
FO-3-3	50s	M	B	N	4
FP-2-1	30s	M	M	N	7
FP-2-2	30s	M	B	N	9
PMA-3-1	20s	M	B	na	3
PMA-3-2	50s	M	B	na	>10
PMA-3-3	20s	M	M	na	4
PMB-3-1	30s	F	B	na	8
PMB-3-2	30s	M	B	na	>10
PMB-3-3	30s	F	B	na	8
PMC-3-1	20s	F	D	na	7

TABLE 1 (Continued)

Informant	Age	Gender	Education	Serial founder	ENT/PM experience (year)
PMC-3-2	30s	M	D	na	9
PMC-3-3	20s	F	B	na	>10
PMD-3-1	30s	M	B	na	10
PMD-3-2	30s	M	B	na	>10
PMD-3-3	20s	M	M	na	2
PME-1-1	30s	F	M	na	>10
PMF-1-1	20s	F	B	na	4

Note: F = founder; PM = professional manager (the lettering A, B, C after the role of informants classifies informants as belonging to Venture A, Venture B, or Venture C, etc.) Gender: M = male F = female Education: H = high school; D = diploma; B = bachelors; M = masters; P = PhD. Y = yes; N = no; ENT = entrepreneurship.

managers, the key themes explored in the interviews were as follows: anticipated decision-making autonomy actual experience of founder delegation and, assessment of founder delegation and impacts. Since data collection and analysis were intertwined, seven follow-up interviews were conducted using newly added and/or fine-tuned questions to further explore emerging themes (Gioia, 2021).

Ensuring effective triangulation (e.g., Neergaard & Ulhøi, 2007), we also made use of additional information as part of our study. The first author undertook on-site observations at each venture location, spoke with an angel investor and the managers of the incubators to which the founders were attached, and reviewed company websites and archival data. These observations and materials helped us to: gain valuable background information on each venture prior to the interviews; better understand general firm operations and decision-making hierarchies; acquaint ourselves with each venture's vision, goals and culture; gain information on each firm's professional manager hiring history; and, validate (basic) data supplied by founders and professional managers.

Data analysis

We followed the constant comparative method (Gioia et al., 2013), a well-accepted coding and analysis guideline for inductive theory-building from qualitative data. Although software may help better represent data, we completed data analysis manually to secure accurate interpretation and mindful exploration (O'Kane et al., 2021). Our inductive data analysis began with line-by-line first order coding of the transcribed interviews. We were mindful to maintain the generation of all first-order codes as informant-centric (Gioia et al., 2013). We adopted the rigorous analytic moves suggested by Grodal et al. (2021) for effective data categorization: asking questions, focusing on puzzles, dropping categories, merging categories, splitting categories, relating or contrasting categories, sequencing categories, and developing or dropping working hypotheses.

In the later stages, our analytic focus centered heavily on moves that related to contrasted categories (response pathways) consistent with our research question. This resulted in a series

TABLE 2 Company profiles.

	Years of operation	Number of employees	Industry	Customer base	Annual revenue
Company 1	4	11–50	Marketing & advertising	Global	<\$5 m
Company 2	5	<10	Marketing & advertising	Global	>\$10 m
Company 3	5	11–50	Interior design	Regional	<\$5 m
Company 4	3	<10	Consumer electronics	National	<\$5 m
Company 5	3	11–50	Intelligent computing & storage systems	Regional	<\$5 m
Company 6	2	<10	Fintech	Regional	<\$5 m
Company 7	2	<10	Website	Local	<\$5 m
Company 8	7	>50	E-commerce	Global	>\$10 m
Company 9	>10	11–50	Media	Regional	Undisclosed
Company 10	3	<10	Education	Regional	<\$5 m
Company 11	6	>50	Software development	Regional	Undisclosed
Company 12	6	11–50	Artificial reality	Regional	Undisclosed
Company 13	4	<10	Software development	Regional	<\$5 m
Company 14	5	11–50	Sustainability	Regional	Undisclosed
Company 15	4	<10	E-commerce	Local	<\$5 m
Company 16	7	>50	Information technology & services	Regional	Undisclosed

of codes that reflected key categories that emerged from the data (Grodal et al., 2021). Where we encountered differences in our interpretation of informants' meanings, the author team discussed these in detail until they could be resolved. In some cases, this necessitated returning to the informant to seek clarification. As our goal was to move beyond description and to explain “what's happening and why” (Gioia, 2021), we undertook a secondary, or axial, coding process focused on researcher-centric codes that “move beyond description through constructing new concepts that explicate what is happening” (Charmaz & Thornberg, 2021, p. 307). We maintained our back-and-forth constant comparison approach as we simultaneously collected and analyzed our data, and considered emerging themes and patterns (Alvesson & Sköldbberg, 2017; Suddaby, 2006). Figure 1 is representative of our data structure. To ensure the accuracy of our interpretations, the first author conducted member checks with informants to review the findings of our analysis (Locke & Ramakrishna Velamuri, 2009). Iteratively analyzing our codes, themes and patterns while revisiting the literature led to the identification of key aggregate dimensions and the key findings that we describe next.

FINDINGS

Not surprisingly, we found that all informants understood the importance and necessity of hiring professional managers. Founders also supported that adding professional managers enabled their ventures to operate more effectively and, thereby, generate greater returns.

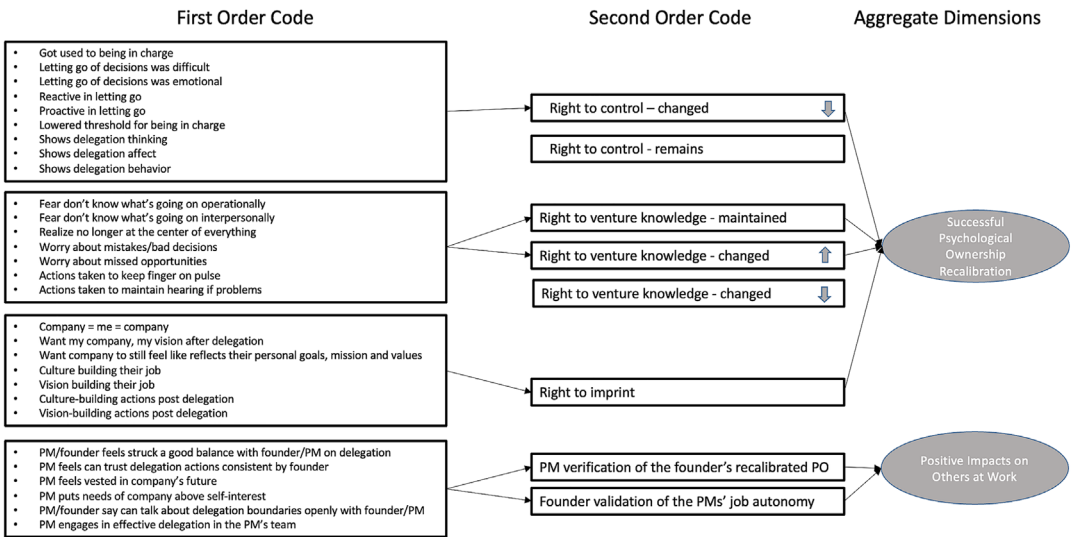


FIGURE 1 Data structure.

We uncovered three distinct founder response pathways to the social environmental change of hiring professional managers. Some founders successfully recalibrated their PO while delegating decision rights to professional managers (Pathway #1). In contrast, we uncovered that some founders abandoned their PO completely after delegating decision rights (Pathway #2). Finally, we mapped a pathway where PO was held constant by the founder and delegation failed (Pathway #3). We also noted that other employees in the venture were broadly impacted by these altered pathways.

Pathway #1: Founders' successful PO recalibration response for self and others

PO recalibrated in response to delegation

Our data analysis revealed that when faced with the need to delegate decision-making authority, most of our founder-informants successfully recalibrated their PO. We label them as Pathway #1 founders, and we define PO recalibration as a dynamic response to socio-environmental conditions that redefines the meaning of PO based on adjusting expected rights associated with PO. Extant PO literature suggests that PO means the right to control the target of ownership and the right to knowledge about the target (Kubzansky & Druskat, 1993). We uncovered that Pathway #1 founders were able to preserve their venture-targeted PO by making dynamic adjustments to these rights.

Right to control

Pathway #1 founders gave up their experience of control and successfully delegated decision rights to their professional managers. This is conveyed succinctly by FE-1-1: “When you assign a person to the position, he/she has been authorized to make decisions. The key is to put the right person in the right place and trust them without a shadow of doubt.” Pathway #1 founders

expressed giving up the experience of control through delegation as a painful experience that produced remarkable stress because control was central to their venture-targeted PO. They described delegating as difficult, uncomfortable, and even scary because it threatened their feelings of ownership over the venture. For example, FF-3-1 mentions: “For me to let go of decision making on something is difficult ... It scared me as I’m very used to having direct control and a direct say in what we were doing.” Many Pathway #1 founders also expressed having been mindful not to engage in behaviour that undermined relinquishing control. FB-3-3’s comment was typical of others we heard: “I often have to reel myself back into not constantly questioning their decisions and kind of second guessing them and interfering with them doing it.”

Given the above and if PO is static, then we would anticipate hearing that founders’ PO “broke” when they lost decision rights. Yet, we observed that our Pathway #1 founders managed to delegate functional authority to their professional managers without giving up their venture-targeted PO. For example, FJ-3-1 shares: “I started this entire journey out of passion. I really do not have to be the boss. The owner of the company is one thing, a job is another. CEO is a job, it doesn’t mean you are the owner of the company, that just means you have a lot of responsibilities to lead everybody and link everybody together to move the ship forward. You manage people, you get paid. As an owner, you get the direct benefits [from the success of the company] regardless of whether you are the person everybody sees or not.” Thus, we found that our Pathway #1 founders lowered or even abdicated their right to control but still maintained their venture-targeted PO.

Right to venture knowledge

Through in-depth analysis and pattern recognition we also uncovered that in response to their delegation of decision-making authority, Pathway #1 founders protected and/or enhanced their oversight of venture operations. While delegating authority to professional managers removed founders from their ventures’ day-to-day decision-making, these founders adopted proactive strategies to feel a strong or stronger sense of their venture knowledge, a key ownership right. For example, they described behaviours that included adopting new communication technologies, establishing a new and consistent pattern of meetings, instituting key performance indicators, and buying project management applications such as SLACK. FA-3-1 shares a response echoed by many founders: “The way I have tried to make myself comfortable [with delegating authority] is typically around implementing systems. The simplest system is just a consistent meeting structure ... other systems are just around the idea of KPI ... our reporting dashboards, sometimes it is very easy for me to just pull up a screen, and for whatever reason I am having a moment, I can just look at these dashboards and say ‘nothing is on fire’, or that thing that is on fire is being dealt with, I know who is taking care of that ... I can be ‘Ok, good, it is happening, and I don’t need to bother, move on’.” Thus, we found that by actively utilizing technological tools, our Pathway #1 founders maintained their timely access to knowledge about the venture to maintain their venture-targeted PO.

Right to imprint on venture

Another consistent pattern evident in our data was that our Pathway #1 founders doubled down on their rights to imprint themselves on their ventures when their PO was threatened by delegation. Uncovering this ownership right is a novel theoretical insight and we define the right to imprint as the authority perceived by an individual to impress the target of their ownership with their own thoughts and feelings. We heard consistently from our Pathway #1 founders that they worried that they might not remain the north star for their venture when they

delegated authority. We heard many comments similar to those shared by FI-2-1: “It started to be difficult when I could not do things according to my vision for the company. I could not fully empower my team members when I did not have control of the vision. When I had to compromise my vision, I started to feel that I was in a cage, not being able to be myself.” In response to such PO right challenges, we saw that our Pathway #1 founders acted to preserve their venture-targeted PO by exerting and emphasizing their imprinting rights. Specifically, they mentioned that faced with the delegation of decision-making authority, they placed additional emphasis on inculcating their personal vision and values into their ventures. For example, FE-1-1 shared new actions he was taking: “I think I need to make ... every employee believe that they are part of the company. Ultimately, [after delegating] I need to [do everything I can to] implant my thought and my vision into their minds and hearts ... I do it all by myself.”

Through recalibrating the meaning of PO by adjusting their expected ownership rights, we uncover that Pathway #1 founders maintain their venture-targeted PO, demonstrating that their PO is, in fact, dynamic. Specifically, these founders delegated the right to control while proactively acting to maintain and/or grow their ownership rights to venture knowledge and imprint.

Recalibrated PO influences on others

The efforts to recalibrate PO in response to the delegation of decision-making to professional managers is not done in isolation. Our analysis also revealed several implications for professional managers, and other employees more generally, that the founder's delegation and PO recalibration sparked.

Validation of professional managers' autonomy

To perform effectively, professional managers must trust that their founders will not renege on the delegated authority afforded to them (Stea et al., 2015). We found that one of the significant social environmental consequences of successful founder PO recalibration was that it helped validate professional managers' perceptions that their job-related autonomy was authentic and stable. The comment by PMA-3-3 is representative of many others we heard among the professional managers of Pathway #1 founders: “When I first started, the company just had a random list of who was getting what, but we've set it up in a much more structured way now. For example, I use Asana, a project management tool, have everything organized and let anyone in the top role know our tasks and progress. That was one of my big initiatives ... I think now I have full autonomy over everything that matters. [Founder FA-3-1] sets really long-term vision and goals and as the CEO he has the final call on basically everything, but I decide whether we are going to bring things up to him or ask him for advice. So, it's pretty well defined; how we do it is pretty much autonomous.”

Mitigating agency problems

We observed that when founders successfully recalibrated their PO, most Pathway #1 professional managers “turned off” self-interest and were motivated to create value for their founders. Founders conveyed that this approach was highly effective for both their ventures and their professional managers. The comment by PMB-3-3 highlights this: “Let's say there are two decisions to be made, one of them, as an employee, would really benefit me, there is another one

that would really benefit the company. Even though I don't get much out of it, I will still choose this [the latter] one. I really do want the best for the company, I want the best for the team." This mindset was also reflected in the comment by PMC-3-2: "I've been offered a couple of positions since I have been here, but I don't take anything, because I share the same vision with the founding team. I even invested my own money in the company, so I am tied to the success of this company."

Fostering broader delegation in the venture

We also saw evidence that since professional managers "strongly believe in how [the founding team] is delegating, and people having enough autonomy is working extremely well" (PMA-3-2), they mirrored this effective delegation behaviour within their own teams. Both Pathway #1 founders and their professional managers stated that successful PO recalibration had a bright side ripple effect in their ventures of company-wide employee delegation and empowerment behaviours. A comment from FA-3-1 is indicative of the insights shared by many of our Pathway #1 founders: "I think for [professional managers] there is a certainty and more a sense of ownership ... the guys I am delegating to are the people they are delegating to, everyone can know what they are owning, and it can be clear and explicit about that. I think it was a huge thing we learned just around that clarity, because for the longest time we thought that delegation, and clarity, and role clarity, things like that, were actually control mechanisms, and we have actually learned that they are much more mechanisms to empower." PMB-3-2, echoing many professional managers, described: "My role here, and everyone's role here, is more flexible than just being called an employee. I think having autonomy and flexibility makes people happier in some sense, because they don't feel stuck in a certain role or in a certain environment. They also motivate people to do more than their current work scopes."

Verification of the newly recalibrated PO

When examining the interactions between founders and professional managers, we noted that professional managers with satisfactory autonomy supported company visions and strategies, respected founders' venture-targeted PO, and showed great understanding and tolerance towards founders' occasional control-oriented territorial behaviours. A representative comment was shared by PMC-3-1: "[Founder FC-2-1] gives me a lot of responsibilities but sometimes takes some decision-making power back, but I understand her uneasiness of 'can she do it the way I do it?', and I knew it would change over time. I need to be patient, and that's for the well-being of myself, her and the whole company, I need to show results and she feels more comfortable." Moreover, we uncovered an interesting feedback loop verifying a founder's newly recalibrated PO. That is, as long as professional managers felt their autonomy was secure, they were prepared to reinforce the founder's PO claims of "this venture is still mine." When professional managers said and did things that reinforced founders' PO claims, they verified the founder's newly recalibrated PO. The comment by FA-3-1 is indicative of many we heard from Pathway #1 founders signaling that professional managers' actions were important to verifying their newly recalibrated PO: "PMA-3-2 and I can be very passionate about what we believe in, so we can be loud or be somewhat aggressive, but at the end of the day those calls have been made, I will give PMA-3-2 absolute credit, he is passionate and then professional, it might be heated in the moment, but when the decision is made or the

feedback is given, PMA-3-2 is an amazingly receptive guy to it, even though he's got a lot more experience than me.”

Pathway #2: Founders' abandoned PO response for self and others

Contrasting Pathway #1, some founders described lived experiences indicating that they did not recalibrate their PO when faced with the need to delegate authority. Instead, these founders' responses suggested that they abandoned their venture-targeted PO. We also noted that their responses had implications for venture-related others, specifically their professional managers.

Founder PO abandonment in response to delegation

Our analysis uncovered six Pathway #2 founders who did not recalibrate their PO when faced with the need to relinquish control. While they were effective in delegating decision rights to their professional managers, they described that they thought and felt less committed and less engaged with the company afterwards. Unlike Pathway #1 founders, Pathway #2 founders did not enhance or maintain their rights to venture knowledge and/or their rights to imprint. Without any clear perceived avenues to experience PO, Pathway #2 founders told us that they abandoned their thoughts and feelings of venture-targeted ownership. This is reflected in the comment by FF-3-2: “I [now] see myself as an observer in the company. I don't work super passionately toward it. I treat it like a 9-5 job. I work hard during the business hours but try my best to disconnect from it when the day is over. All that comes down to the lack of equal equity, lack of control and lack of decision making on strategy and direction.” Similarly, FA-3-2 shared: “I am an owner through being a shareholder, but I am not the owner of the company ... I realize now that it is better for me and for the company that I am not involved in managerial tasks. I am actually probably not as good at doing these things as other people are, so it is better that I am not in the way.”

Abandoned PO: influences on others

To our surprise, the impact of founders who abandoned their venture-targeted PO on their professional managers was not negative, contradicting what has been suggested in extant literature (e.g., Wang et al., 2019). We uncovered that when Pathway #2 founders lost their venture-targeted PO, they stood back far enough from operations to give their professional managers the chance to further advance their own careers by expanding their work scope and/or degree of responsibility. As FA-3-3 explained: “I am continuing to define my new role [after delegation]. When we continue to scale, there are guys way better at it [leading specific functions] than me ... I was the one who said that we needed somebody else to run these departments.” One of his professional managers, PMA-3-1, confirmed this bright side implication: “I have been growing here as a manager. After about a year, I took over this executive role from [Founder FA-3-3] when he moved to [another country] for a few months, so now I handle the team of our business development as well as our outside contractors and agencies.” None of the

Pathway #2 professional managers described having any concerns for themselves, or their ventures, given that Pathway #2 founders had abandoned their PO.

Pathway #3: founder's status quo PO response for self and others

Our data analysis revealed a single founder who did not fit with either of the response pathways described above. Founder FD-1-1 described that he maintained his status quo PO toward his venture. We noted important implications of this response on venture-related others, specifically on their professional managers and employees, in general.

PO status quo maintained in response to delegation

Founder FD-1-1 described neither recalibrating his PO in the face of the delegation challenge nor abandoning it. This founder relayed that while he attempted to give up his control right and delegate authority, it was not something he was comfortable with doing in the end. Instead, we found that he resolved the delegation-induced challenge to his PO rights by not actually delegating decision rights. While he hired multiple professional managers, the meaning of his PO remained unchanged (status quo). That is, he maintained his control and believed no adjustments were necessary to his rights associated with PO. A typical comment FD-1-1 shared was: "As the CEO of the company, I am the person to make final decisions. I told [professional managers] that I am not a good CEO but the company won't survive without me, this is the reality in my company. It is up to them to join, stay or leave ... It is impossible for me to really relinquish power."

PO status quo maintained: influences on others

The decision of FD-1-1 to maintain all of his ownership rights heavily impacted his professional managers. These professional managers described that conflict occurred when they experienced a mismatch between the autonomy they perceived necessary to do their jobs and the actual autonomy they experienced in the company. To protect their own careers from failure, these professional managers described refusing to buy into the founder's leadership or vision, which was seen to have damaging consequences for the company. The comment by PMD-3-1 expresses such consequences: "[FD-1-1] hasn't realized that he is not qualified to act as the CEO of the company ... He doesn't even enjoy being an entrepreneur. The only thing he cares about is his personal financial goals. I didn't know him well, so I didn't realize that early enough. [PMD-3-2] and I joined to build a great company. Why should we take on the accountability for his [the founder's] goal? ... We think he should step down as soon as possible and his shares should be diluted to motivate current and future talents." Over time, this dark side consequence of FD-1-1's response had even deeper impacts. PMD-3-1 described that the fighting in the management team was so heated that it was easily observed by employees and that this led to the potential failure of the company. PMD-3-1 stated in a follow-up interview: "Employees started to question and complain about the founder's decisions and leadership style soon after seeing us fight ... I quit, [PMD-3-2] is about to quit, so are many engineers. The market is still promising, but the resources that the company possesses are running out." Thus, we uncovered

evidence of significant dark side implications of Pathway #3 founder's failure to recalibrate his PO that negatively impacted the professional managers, employees more broadly, and ultimately the venture itself.

Dynamic venture-targeted PO and founder identity

While we did not set out to examine identity in our study, it became apparent in our analysis that identity was central to the dynamic capacity of a founder's venture-targeted PO. Pathway #1 and Pathway #2 informants repeatedly made comments tied to their founder identities when they spoke about their PO. We observed that PO was, as one might expect, closely aligned with our informants' "I am a founder" identities. The comment by FO-3-3 is representative of many we heard that support this association: "Many founders have strong feelings that they own their ventures, where they have to be in charge. We call it founder syndrome." What we did not expect to see was that despite recalibrating or abandoning their PO, most founders did not describe any impacts to their founder identity. This is reflected in the comment by FJ-3-1: "You will lose control, for sure, even if I have an idea, I need to get enough support from my core employees to do it, but you will not lose your identity, because this business is my identity as one of the founders of the company." Similarly, FB-3-3 said: "I do still see myself as a co-founder of the company ... even if I don't make all the decisions anymore." Regardless of whether they chose Pathway #1 or Pathway #2, these founders conveyed that while their understanding of what it meant to be a founder was challenged, their "I am a founder" identity persisted. We reflect on these unanticipated findings in the discussion section below.

DISCUSSION

Theoretical implications

Our analysis generated three key areas of insight: a dynamic process view of founders' venture-targeted PO; social environment impacts of a dynamic founder PO; and dynamic PO as a stabilizer in founder identity work. We discuss each of these insights as theoretical contributions below before considering the practical implications, limitations, and future directions stemming from our research.

A dynamic process view of founders' venture-targeted PO

Extant PO research concentrates on factors that influence the emergence of PO (e.g., Pierce et al., 2003). How individuals maintain their PO after PO is established, and impacts on others have been neglected. Scholars who adopt PO theory into management and entrepreneurship studies also largely take PO to be static, claiming an individual either does or does not possess PO (Dawkins et al., 2017). We provide empirical evidence that PO can evolve over time. Specifically, our empirical evidence supports that when founders lose a right through which they are able to experience their venture-targeted PO, they can maintain PO by adjusting their expected and perceived ownership rights. Pathway #1 founders delegated decision rights to professional managers but maintained their venture-targeted PO through the mechanism of redefining the

meaning of PO as comprising the right to venture knowledge and the right to imprint on the venture. The latter is a novel right associated with PO that has not been identified in the existing literature. In doing so, Pathway #1 founders maintained thoughts and feelings that “this venture is still mine.” In contrast, we also determined that founders can fail to recalibrate PO when faced with the challenge of delegation. Pathway #2 founders failed to redefine the meaning of their PO and abandoned their venture-targeted PO, with thoughts and feelings reflecting “this venture is no longer mine.” Our Pathway #3 founder did not need to redefine his PO meaning since he continued to exercise his control right, maintaining thoughts and feelings of “this venture is mine.” Taken together, our empirical findings lead us to the development of the first process model for founders’ dynamic venture-targeted PO when professional managers are hired (Figure 2).

PO theorists hold that the right to control the target of ownership is an important meaning dimension of PO (Pierce et al., 2001). Driven by strong venture-targeted PO, founders often refer to the venture as their “baby” and have problems with separation (Cardon et al., 2005; DeTienne, 2010; Dodd, 2002). Extant organizational growth research supports that founders struggle to let go of control over their business, engaging in territorial behaviours (e.g., holding on to full supervisory control over the business and refusing to delegate) that create a major growth challenge to their ventures (e.g., Greiner, 1972). Our empirical findings do not support this perspective. We find that many founders can resolve a delegation-induced challenge to their PO rights. By recalibrating the meaning of PO and making adjustments to their expected ownership rights (giving up the right to control, maintaining or enhancing the right to venture knowledge through improved oversight practices, and placing increased emphasis on the right to imprint self on their ventures by redoubling efforts to inculcate their vision and values), founders can preserve their venture-targeted PO without control, and thereby support effective delegation and venture growth. The dynamic conceptualization of PO that we present should encourage researchers to recognize that “snapshots” of PO taken at different times can be very

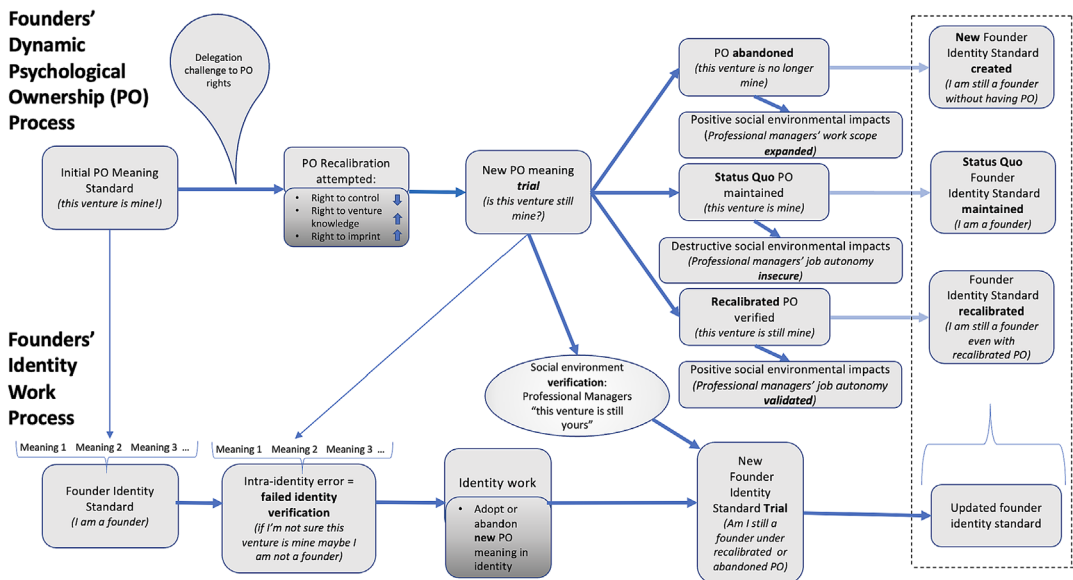


FIGURE 2 PO recalibration and identity work processes.

different, and researchers need to frame the PO they study within a context of activated PO rights to understand what is actually going on.

Social environment impacts of dynamic founders' venture-targeted PO

Our analysis uncovers the knock-on impacts experienced by the people founders work with when they recalibrate, abandon, or hang on to their existing venture-targeted PO. Our study extends PO theory by offering the first empirical evidence that these impacts have both bright side and dark side implications for professional managers and other employees. When founders successfully recalibrate their PO, we find evidence that it secures the professional managers' job-related autonomy, a key to the performance of young companies (Preenen et al., 2016). We also find that in response to effective founder PO recalibration, many professional managers undertake distributed decision-making that involves more employees and creates a ripple effect that benefits the entire venture. Stea et al. (2015, p. 8) point out, "organizations that want to foster value creation via delegation of discretion need to take measures to make delegation credible." We offer the first evidence that founders' successful PO recalibration is such an effective measure. Foss et al. (2007) argue that owners must engage in effective delegation to preserve entrepreneurship as companies grow. Ours is the first study to show that founders' successful PO recalibration fosters this effective delegation process to, and through, their professional managers.

Our findings also present insights into successfully managing delegation. Agency theorists argue that delegation is not always beneficial because there can be goal incongruence between the principle and the agent (e.g., Jensen & Meckling, 1976, 1992). However, we observe that the goals between founders and their professional managers can be predominantly congruent under the delegation of authority, with the exception of our Pathway #3 founder (status quo PO). When founders successfully recalibrate their venture-targeted PO and effectively delegate decision rights to their professional managers, these professional managers were not motivated by individual goals but rather were stewards whose motives were aligned with the objectives of their founders. When the prevailing concern or interest of professional managers becomes the success of the venture, agency problems in delegation are mitigated and that brings significant advantages to the ventures (Sliwka, 2001). A few professional managers in our study even signaled having developed PO towards the venture instead of their specific jobs. This suggests the emergence of collective PO (Pierce & Jussila, 2010) in these firms, which has not been empirically shown to manifest before. These insights extend PO theory by highlighting that the impacts of a dynamic conceptualization of PO affect both the self and venture-specific others in important ways.

We also uncover the dark side implications when founders' venture-targeted PO fails to recalibrate when professional managers are brought on board. If a founder holds onto their status quo PO and resists delegation, professional managers sense that they do not really own the delegated authority. The dark side implication is that repeated territorial behaviours by the founder may make professional managers resentful. This is consistent with Brown and Baer (2015) who found that people resent territorial behaviour and, as a result, put in less effort. We go beyond this to show that professional managers may lose their commitments to the founder and the venture with ensuing negative consequences for the founder, the professional manager, other employees, and the venture. Mapping these dark side consequences extends PO theory by highlighting that an individual's failure to let their established PO evolve can have devastating consequences to self and work-related others.

Dynamic PO as a stabilizer in founder identity work

While we did not set out to examine identity, our analysis revealed that identity was implicated in dynamic PO processes given that venture-targeted PO is integral to the meaning that founders typically attribute to their founder identity (Cardon et al., 2005). We pursued our identity findings because little is known about the identity processes of entrepreneurs (Wagenschwanz, 2021), and particularly as it relates to a dynamic view of founder PO.

Identities are a set of self-referential meanings (Rouse, 2016) that offer “a general, if individualized, framework for understanding oneself” (Gioia, 1998, p. 275). Identities are multi-dimensional and various theories have arisen to address role (Stryker & Burke, 2000), social (Tajfel & Turner, 1982) and personal dimensions of identity (Stets & Burke, 2005), among others (e.g., Brown, 2022). A personal identity is defined as an individual's set of self-determined meanings, standards, beliefs, and values, including those related to their vocation or occupation (Vignoles, 2011). Founders' personal identities impact their decisions and behaviours as founders (Smith et al., 2022).

Identity control theory (ICT) asserts that people are motivated to align how they think, feel and act with the meanings that comprise their personal identity (Burke, 2001). The constellation of these meanings is referred to as the *identity standard*, with these meanings influenced by the social environment (Burke, 2003). While ICT predicts that identity standards can be dynamic, the source or “spark” for this dynamism is assumed to be between-identity conflicts not within-identity meaning conflicts (Stets & Burke, 2005). Few studies have applied an ICT lens to better understand founders' identities. For those that have, the focus has been on conflicts between identities (e.g., between a family identity and a business identity) (Shepherd & Haynie, 2009), not within-founder identity dynamics.

Given this theoretical background, it was unexpected that our Pathway #1 and Pathway #2 founders did not describe losing their founder identity even though their PO rights evolved and threatened the meaning standard of their founder identity. We surmise our informants felt challenged because their founder identity standard held two PO-relevant “I am a founder” meanings. First, a standard that to be a founder entails having a strong sense of venture-targeted PO. Second, a standard that to be a founder entails having broad-based decision-making authority over the venture. When our Pathway #2 founders abandoned their PO, they would have found themselves suddenly thinking, acting and/or feeling in ways that contradicted their founder identity standard. Likewise, when our Pathway #1 founders recalibrated their PO away from their control rights, they would also have found themselves suddenly thinking, acting, and/or feeling in ways that contradicted their founder identity standard. ICT terms this *failed identity verification*. We surmise this failed verification initiates identity work since the state of identity verification failure is untenable for the founder.

Increasingly, founder identities are recognized to be dynamic, ever changing through a process of identity work (e.g., Brown, 2022). Identity work connotes the processes by which individuals “create, maintain, repair, display, revise and discard ... identities” (Brown, 2017, p. 298). ICT predicts that this within-identity verification failure would lead our Pathway #1 and Pathway #2 founders to return to their status quo PO because it was consistent with their “I am a founder” identity standard. We did not see this. Our evidence supports that the recalibrated and abandoned venture-focused PO we witnessed among our Pathway #1 and Pathway #2 founders was enduring, as was their founder identity throughout this process. For example, BF-3-1 says: “Over the course of the past couple of years that's [founder identity] something that I have adjusted, and I work well in a team setting, that's fine that I do not make all the decisions, I still

think it's largely, if it's not my vision, it's a slant on my vision. And so that's just the nature I would say of an entrepreneur.”

We extend identity control theory (ICT) by challenging two extant assumptions. First, ICT has assumed that new identity standards manifest only when conflict is experienced between different identities held by an individual. We find that new identity standards can also manifest from within-identity verification failure conflicts (e.g., I am a founder if I have venture-targeted PO, but what if I don't hold control rights any longer?). Second, ICT previously assumed that when faced with within-identity verification failure, individuals will change their feelings and/or behaviours not their identity standard. We find that faced with identity verification failure from an evolved meaning (here recalibrated or abandoned PO), founders undertake identity work to change their identity standard, they do not abandon their identity. They also do not adjust their thinking/feelings/behaviour in such a way as to better align to the old identity standard, as extant ICT assumptions presume. This is important because our study highlighting the dynamic nature of founders' venture-targeted PO showcases that founders' identity standards can be in constant flux despite the surface features of founder identity appearing constant. Our findings also extend PO theory because they demonstrate that while founders' PO can evolve, it is likely to be stable over time since it is unlikely to be challenged by the identity standard. Were they to be incommensurate, then an evolving or recalibrated PO might be an unstable PO condition. Our examination of the dynamic nature of founders' venture-targeted PO gave us a unique vantage point to uncover these novel founder identity insights.

Practical implications

The practical implications of our study's findings are aimed at multiple constituents. First, our conceptual model takes what has been an invisible process and makes it visible to founders, and professional managers, so they can proactively engage in the PO recalibration necessary to support successful firm growth. Fortifying founders with the knowledge that they need to recalibrate their PO when they delegate authority to professional managers will help ensure their success in doing so. Second, entrepreneurship support organizations can ensure that mentors and coaches educate founders on the dark side implications for professional managers, employees, and their ventures of not recalibrating PO when adding professional managers to their companies. These organizations can also work to educate founders on how to effectively recalibrate their PO by offering them tangible proactive strategies. Such strategies could include adding technology and improving communication to enhance founders' venture knowledge when they step away from day-to-day operations, and purposefully fostering ways to imprint founders' vision and values into their ventures on an ongoing basis. Third, our findings help founders recognize that secure job-related autonomy is key for professional managers to be effective and may help empower employees more broadly. Finally, we help professional managers recognize the important role they should play in verifying founders' recalibrated PO and their verified founder identity standard, both critical to ongoing venture success.

Limitations and future research directions

Our study's contributions are informed by its limitations. Our sample was limited to technology start-ups. Further research is needed to determine if different contexts, for example different

kinds of firms, or different countries and specific geographic areas, net different PO recalibration effects and strategies. Additional insights could also be gained by exploring the impact of financial ownership percentage on founders' responses to delegation. We also surmise that small delegation acts by founders may not be perceived as challenges to their PO rights. As well, we note that all of our founders described the point of PO challenge to be the point of actual delegation of decision rights. However, we surmise that for some founders, this point may be felt when considering or making the decision to hire professional managers. Future research is needed to consider, if delegation is a process, where on the delegation continuum founders' perceive a PO challenge, and whether this is idiosyncratic. Additional insights could also be gained by considering the possible impact of professional managers' PO and collective venture-targeted PO on our conceptual process model. As well, our study reflects the retrospective insights of our founders whose memories may have faded somewhat over time. Longitudinal studies that use founder diaries to track real time changes in the meaning of PO, such as those used by Foo et al. (2009) in mapping emotions, could shed new light on the intricate nuances of the day-to-day process of PO recalibration.

We also uncovered a unique PO response pathway (Pathway #3), revealed by a single respondent. Additional research is needed to determine if this founder is an outlier or whether status quo PO maintenance is a prevalent delegation challenge response. We also limited consideration of the impacts of the social environment and on the social environment to professional managers and other venture employees. We encourage additional research that considers the influence of broader stakeholders on our conceptual model. We noted that neither our Pathway #2 founders who abandoned their PO nor their professional managers described any short-term dark side implications of having abandoned versus recalibrated their PO. We encourage future research that investigates whether there are long term negative impacts of abandoning PO for founders and the people in their social environments.

Finally, it was beyond the scope of our study to uncover all the strategies founders use when recalibrating their PO, or all of the challenges to PO rights that could lead to founder PO recalibration. We surmise that as ventures scale to become large in size, founders may find it challenging to maintain their venture knowledge rights. For example, as new departments/decision-centers are created and more employees hired, the level of detail professional managers provide in reports decreases so as not to overwhelm the management team. Thus, founders are likely to become increasingly separated from knowledge of day-to-day operations. This could necessitate further founder PO recalibration as one more important PO right becomes challenged. Resistance to making changes to their PO, or founder PO recalibration failure, may lead to PO abandonment. We call for additional research that applies our conceptual model to delve into these worthwhile new areas of investigation, helping to add important nuances to our understanding of dynamic PO and founder identity.

CONCLUSION

By documenting how founders navigate delegating decision rights to professional managers, and illuminating the impacts of a dynamic PO on a founder's social environment at work, our research makes novel contributions to both PO theory and identity control theory. We also offer new insights on the impacts of dynamic venture-targeted PO on professional managers, and other employees, as well as offer practical guidance to founders and their professional managers when the latter are hired into entrepreneurial ventures.

CONFLICT OF INTEREST STATEMENT

There is no conflict of interest to disclose.

DATA AVAILABILITY STATEMENT

The data that support the findings of this study are available from the corresponding author upon reasonable request.

ETHICS STATEMENT

The authors obtained formal academic ethics committee approvals for this study from their home institution. These approvals considered the avoidance of harm, privacy, and the protection of the rights, dignity and welfare of informants. All participants provided their informed consent to participate in this study.

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ENDNOTE

¹ Note that we do not link Tables 1 and 2 intentionally (Venture A, Venture B, Venture C, etc. in Table 1 do not correspond to Company 1, Company 2, Company 3, etc. in Table 2) because the community from which our sample is drawn is small enough that there is an ethical risk of breaching assurances of informant confidentiality.

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