

# Managing Emotional Minefields Within Family Businesses

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*Adam looked at the customer standing at the counter in the wine cellar in disbelief. He couldn't believe what he was hearing. He found the customer's comments to be slightly rude. Adam felt anger brewing inside of him and thought to himself, "This is MY family's business and I should really show this customer who's the boss here!" Adam, thinking he can do whatever he wants, let his anger out and shouted at the customer to leave his wine cellar. The customer angrily left, and soon Adam heard from his neighbors that word was spreading that members of his family business treat customers poorly. Soon, Adam's wine business had a negative reputation in the nearby community and lost some of the winery's loyal customers who simply stopped their regular visits. Adam thought to himself, "Should I have hidden my anger and simply smiled at the customer that day? Would things have been different today for my family's wine business?"*

Family businesses can be minefields when it comes to emotions. Emotions can emerge in interactions between family members in situations such as at the dinner table, a family get-together, or in Adam's case, a family member's interaction with family business customers. However, what happens when family disagreements and resentment result in emotional displays that spill over into business situations -- such as discussions with customers (like Adam), suppliers, and non-family employees?

Being part of a family business often requires that family members manage their emotions appropriately at work. Not doing so can have dire consequences for a business-owning family's "socioemotional wealth," the non-financial wealth and benefits that come when a family enjoys a strong emotional attachment to their business. As we saw earlier in Adam's case, his anger

towards a customer caused his family's wine business to lose new and old customers. The family firm also lost its longstanding positive reputation because of his highly charged emotional displays in a situation where a smile or other positive reaction would have been more appropriate. Proper emotional reactions, therefore, are important in preserving a family business's reputation and customer ties, important components of socioemotional wealth.

Our study explored the problem of how family members manage their emotions in relation to socioemotional wealth. We interviewed 12 people at five family wine businesses in Australia. Four out of five of the family businesses are currently in their second generation, and one is in the third. In four out of the five family businesses, more than one generation of the family works side by side in the family firm which, of course, can exacerbate emotional issues in the family firm. The interview questions focused on how the participants expressed their emotions in the family and the business contexts, and their perceptions of socioemotional wealth.

## The Hard Work of Managing Emotions

We saw that to preserve socioemotional wealth, family business owners/members engage in something called "emotional labor." This means that along with doing physical or mental labor when they're at work, family members also strive to modify their emotional displays (such as smiling when one doesn't feel like smiling). This helps them to preserve good relationships with both family and non-family employees and promote a positive image of the family firm in the community. Ultimately, this helps preserve the firm for subsequent

generations, and ensures the family continues to enjoy good relationships with stakeholders and the other non-financial benefits of socio-emotional wealth.

Our research also found that families adopt “rules” for how to display their emotions (also known as “display rules” in the academic community) in front of other family members, non-family employees, suppliers etc. However, we also found that sometimes family members bypassed these “rules” and expressed emotions inappropriately at work. We were surprised to see that sometimes, family members exercised a latitude in their emotional displays because they felt they could do whatever they want.

Some family members were not cautious about expressing their negative emotions (such as, annoyance, anger, frustration) at work in front of non-family employees and customers. These negative emotions and moods from family members often made loyal non-family employees feel frustrated. Such interactions can also lead to “emotional contagion,” where a family member’s negative emotions can spread like a virus to non-family employees and negatively affect their attitudes and performance. Similarly, the team saw that heated exchanges between family owners and customers can negatively affect firm’s reputation. All of this, the team found, can lead to a loss of socioemotional wealth – an outcome that no business family wants.

You may wonder: Why would family members fail to constrain their emotional displays? It could be that they feel a sense of autonomy because their family owns and controls the family firm.

## Takeaways for Family Firms

The good news is that family businesses have many tools at their disposal to control the types of emotional displays that could hurt their socioemotional wealth. Here are some strategies to consider.

**Acknowledge the importance of managing emotions for socioemotional wealth objectives and overall family and firm success.** It’s normal to feel all sorts of positive emotions (such as happiness, excitement, joy) and negative emotions (such as sadness, anger, annoyance, anxiousness, frustration). However, how well one manages these emotions can be beneficial or harmful in social interactions with internal or external stakeholders. Therefore, as a first step,

family members should acknowledge that their emotional displays are a crucial part of everyday interaction in a family business and can either reinforce or undermine their socioemotional wealth. Family members should understand that they have a responsibility to effectively manage their emotions.

**Be actively cautious about emotional displays and engage in emotional labor where needed.** Family members should consider the family’s socioemotional wealth objectives as their guiding light for the emotions they should display. During social interactions, family members should ask themselves whether expressing negative emotions in this situation might:

- Hurt their family ties
- Hurt ties with firm’s suppliers
- Hurt long-term employees who have been loyal to the firm and the family for years
- Negatively impact the firm’s image in the community

If the answer to any of these questions is yes, it means that the way you are displaying your emotions may undermine your family’s socioemotional wealth and may cause you to lose many of the non-financial benefits that you personally derive from the family firm. Hence, consider engaging in emotional labor in these types of social interaction.

**Have a code of conduct.** Of course, family members may already be committed to the objective of preserving socioemotional wealth and some family members may think that they don’t necessarily need explicit reminders about how to behave. However, as the study’s findings have shown, it’s not always a good idea for family businesses to rely only on what family members consider as appropriate emotional displays, because family members are prone to deviate emotionally. Family businesses should, therefore, consider the use of explicit and formal ways to “govern” family members’ emotions so that they support both the family’s socioemotional wealth and its business objectives. To this extent:

- Formal and explicit communication regarding display rules and managing emotions should be carried out in family meetings and family council discussions, and potentially added as sections in written agreements, such as a code of conduct if one exists.

- It is important to not make display rules too rigid; otherwise family members may feel that the firm is “commercializing” their emotions. General training on emotional intelligence may be useful because it can subtly encourage people to manage their emotions without being perceived as negative or too controlling.

**Separate the office from the dinner table.** Family members should understand that when they are dealing with customers, they don't have the same emotional latitude they have when interacting with other family members. It's not a good idea to display negative or charged emotions in front of customers, such as getting angry when a customer complains. Your family may forgive you when they are the target of these outbursts, but customers and suppliers will not. While family members may feel privileged to be working in the family's business and have autonomy in life, they should realize that the business will suffer if they take that autonomy too far and use it as an excuse for not controlling their emotions.

**Finally, keep an eye on your family member's emotional state.** When working together, family members should monitor how the other members are feeling emotionally and, if suitable, remind them of the need for emotional labor. If a member has had a bad day or their mood is not great on a specific day, it may be good to take over emotionally demanding social interactions and give that member some “emotional slack” (a break away from the interaction until one is in a better state emotionally) if possible. This will prevent any chance of them expressing negative emotions inappropriately, especially with external stakeholders (customers, suppliers, and community members), and eroding the firm's hard-earned reputation.

## Explore the Research

**The role of emotional labor and display latitude in preserving socioemotional wealth in family businesses,**

(<https://www.sciencedirect.com/science/article/abs/pii/S1877858523000438?via%3Dihub>) Journal of Family Business Strategy, November 2023

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