

Family Emotions Can Drive Business Decisions

Rania Labaki (EDHEC Business School)

Fabian Bernhard (EDHEC Business School)

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From “Dallas” and “The Godfather” to “House of Gucci” and “Succession,” popular culture has always relished watching how resentments, squabbles and backstabbing can pulse through a family business and impact its fortunes. In real life, because personal and business dynamics are entwined so closely in family firms, it’s inevitable that private disagreements and personal histories will spill over into the business.

Most family firms don’t experience the rancor of these popular movies and TV shows. But our research into the inner workings of family firms shows that positive and negative emotions – stirred by the desire to protect children, uphold values, atone for past mistakes or something else -- do have an impact on the firm’s financial decisions and relationships with one another and with non-family stakeholders. Our work looked at the connection between the emotional and the economic, the history of emotions and the patterns that follow, and how family ties and emotions spill over into the professional sphere.

Why Family Emotions Matter

Between 75% and 95% of firms in the world are family run, and family firms – from small local enterprises to large national and international companies -- supply about half of the jobs in Europe. Through our research we’ve seen that regardless of their size and reputation, emotions do cross over from the personal to the professional. So it’s clear that family dynamics do impact the perceptions of their many customers, suppliers and communities.

Our research showed that some firms are better at keeping a lid on their emotions, while at other firms emotions have a bigger impact on business decisions. We’ve identified three types of family business archetypes that influence the impact of their emotions:

- In the “Enmeshed” family firms, the family and the firm are one, so family emotions are an

integral part of the firm’s decision making and vice versa.

- Disengaged” families have little or no interaction between the firm and the family, so emotions have practically no impact.
- Balanced” families, whose boundaries are semi-porous, are able to harness family emotions in a measured way, to ensure family harmony and the continuity of the firm.⁽¹⁾

We’ve also seen that it’s difficult to pigeonhole emotions as “positive” or “negative.” For example, a “negative” emotion like anger can drive change, a key ingredient in creative and entrepreneurial behavior.⁽²⁾ However, family cohesion has a far bigger impact on the economic reality of family firms and their stakeholders, and on the consequences of emotions, risk taking, innovation and proactiveness.⁽³⁾ The emotional issues thus resonate with the economic issues as well as with the family and the business strategies.

How Emotions From the Past Impact the Future

It is interesting to explore how the emotional burdens of the family’s past influences relationships and strategic decisions in the present. Through our research we learned that a company’s past history, especially if it included serious wrongdoing, can provoke strong emotions such as guilt and shame.⁽⁴⁾ While this can paralyze decision-making for a long time, it can also morph into a motivator, especially for new generations of leadership who want to break with past practices. Our research shows that younger leaders are often motivated by their emotional response to past wrongdoings and a desire to atone for it, which will influence their decisions and the future of the firm.⁽⁵⁾

However, these new leaders are careful not to cast blame on their older relatives, but rather on showing that the times were different, as were the decisions. Above

all, they see their family history, despite the mistakes, as the reason for the company's survival and a source of company pride. Pride means different things to different family firms; a small local firm may have influence on employment from generation to generation; some larger groups and families keep their family affairs private and do not display their emotions to the public or to their front-line employees. Pride can be felt quietly inside the family group and not shown to the outside world, or it can be showcased to the wider community.

What has the biggest impact on a family's emotions about the future? We saw responsibility towards the next generation as a key factor. This impacts private decisions about inheritances, succession and business continuity, and ultimately shapes how the company is run and how it is perceived by others. It also affects how the family business responds to a crisis that threatens the established order, often with paternalistic responses that reassert family control.

Channeling Emotions Productively

People within the family have different attitudes towards expressing their private emotions: which emotions are acceptable to show whether on the job or within the family circle, how strongly to express them, and where they are appropriate. Family firm leaders need to understand how their (firm and family) members feel about emotions so they can manage the consequences and harness them productively to shape the future. The emotional climate can affect all the parties involved. For example, employees may worry about their job security if they observe personal crises among the owners, or they may feel a sense of injustice and lose motivation if they see too much nepotism⁽⁶⁾. Emotions such as anger, jealousy and even hatred can spur quarrels among family members and within management, which can create misunderstandings that have a negative impact on the firm.

Likewise, a family's private crises and squabbles – such as the death of a founding member or purely personal disputes – can lead to brash decisions such as fracturing of the firm into several blocs, and the creation of new entities⁽⁷⁾. With so much at stake, family firms must understand how certain emotions should be governed – to put them at the service of the firm and the family.⁽⁸⁾

To conclude, each family member has his or her own emotional responses, based on personal history and

perceptions of the events and actions that have taken place in the family and the business. These emotions have the potential to spill over into the business, for better or for worse. Through emotion management and governance, family firms can set the tone for defining how greatly personal emotions should cross over into the firm's daily decisions and long-term strategy.

Explore the Research

Moral Emotions in Family Businesses: Exploring Vicarious Guilt of the Next Generation, (<https://journals.sagepub.com/doi/10.1177/0894486520941944>) by Fabian Bernhard and Rania Labaki, *Family Business Review*, July 2020

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