

1 CHAPTER 1

3 CORPORATE ENVY AND  
5 EMOTIONAL DYNAMICS  
7 IN THE INTERNAL SELECTION  
9 PROCESS OF CORPORATE  
11 VENTURING INITIATIVES  
13

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17

19 **ABSTRACT**

21 *Corporate venturing initiatives, which exemplify corporate entrepreneurial*  
23 *behavior, follow an evolutionary path of variation, selection, and retention.*  
25 *While their external selection is a consequence of their performance, their*  
27 *internal selection is subject to forces of complementarity and legitimacy,*  
29 *and how well competition from other initiatives is overcome. This chapter*  
31 *aims to unfold the dynamics of the internal selection process of initiatives,*  
33 *focusing on its emotional dimensions. Assuming that organizational agents*  
*have a deliberate role in guiding the internal selection process of initiatives,*  
*the chapter examines how organizational agents' emotional dynamics*  
*influence this process. The chapter draws its theoretical basis from the*  
*intraorganizational evolutionary perspective and the literature on emotions*  
*in organizations. The case of a corporate venturing initiative and the*  
*narratives of four managers involved directly and indirectly in the initiative*

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37 **Emotions and Organizational Dynamism**

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1 *are used to illustrate how the emotional dynamics of organizational*  
2 *members evoked envy toward a venturing initiative and directly impacted*  
3 *its degree of competition and complementarity with other interacting*  
4 *initiatives, ultimately hampering its selection.*

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## 7 INTRODUCTION

9 We know that positive emotions experienced and expressed by entrepreneurs  
10 have a facilitating role in the entrepreneurial process (Baron, 2008; Cardon,  
11 Zietsma, Saporito, Matheme, & Davis, 2005). However, little is known about  
12 the affective dimension of the interaction between the entrepreneur and those  
13 who control resources central to the process. As a result, we overestimate the  
14 power of the entrepreneur and neglect the emotional influences of these  
15 interactions. In the context of corporate entrepreneurship, the entrepreneurs  
16 are organizational members who enact on an opportunity within the  
17 organizational boundaries. Besides the corporate entrepreneur, top managers  
18 and other organizational members controlling resources are central to the  
19 entrepreneurial process. These individuals (e.g., the CFO, board members,  
20 and champions of other competing initiatives) have an influential role in  
21 selecting entrepreneurial initiatives among others by allocating resources to  
22 them. While the existing literature has examined the effectiveness of this  
23 internal selection process from its cognitive side (e.g., Zollo & Winter, 2002),  
24 it has neglected to incorporate the emotional dimension of the interaction  
25 between the selectors and the champions of entrepreneurial activities. This is  
26 the prime gap this chapter sought to help fill.

27 We aim to do so by exploring the micro-processes of interaction (a) among  
28 champions of competing initiatives and (b) between the champions and the  
29 top management. We argue that a more complete understanding on the  
30 effectiveness of the internal selection of autonomous and entrepreneurial  
31 initiatives will be reached by exploring how emotions, as expressed and  
32 experienced by selectors, impact the selection process. While we know, for  
33 example, that champions of initiatives are passionate to make their initiatives  
34 work (Cardon et al., 2005), we do not know how top management feel about  
35 the initiative in question and whether their emotions influence its selection.  
36 Further, we do not know how the champions of other initiatives emotionally  
37 react toward the initiative in question and whether the expression of these  
38 emotions undermines or facilitates the selection of the initiative in question.  
39 We attempt to tackle these research questions by exploring the impact of the  
emotional dynamics evoked and expressed collectively by selectors during the  
internal selection process of an autonomous and entrepreneurial initiative.

1 Emotional dynamics are conceptualized as organization-level behaviors  
2 expressing (self-directed) and evoking (other-directed) emotional states at the  
3 individuals' level (Huy, 1999).

4 Huy's work informs us of the positive role emotional dynamics evoking  
5 positive emotional states play in facilitating the process of organizational  
6 change, assuming that organizational members behave as emotionally  
7 intelligent individuals. However, the role of emotional dynamics expressing  
8 negative emotional states remains mute. The experience of negative emotions  
9 in the workplace is a reality that has received limited attention by researchers.  
10 We argue that the expression of negative emotional states toward an initiative  
11 by the involved selectors may result to adverse selection and ultimately  
12 elimination of the initiative. Specifically, we are interested in exploring  
13 discrete negative emotional states and the emotional dynamics they generate  
14 at the organizational level. The chapter makes a conscious attempt to  
15 respond to the recent calls for studying discrete emotions in organizational  
16 behavior rather than overarching aspects of affect (Barsade, Brief, & Spataro,  
17 2003). It is not our intention to neglect the presence and role of a multitude of  
18 emotional states impacting the selection process of initiatives. Rather, we  
19 argue that by focusing on a discrete emotion, a more detailed account of the  
20 mechanisms linking the emotional state, the emotional dynamics evoking it  
21 and their influence in the internal selection process can be provided.

**AU :3**

22 Our proposal that emotions intervene in the internal selection process  
23 of initiatives is empirically supported through an instrumental case study.  
24 The case unfolds the internal selection process of an autonomous corporate  
25 venturing initiative by an organization. Corporate venturing is conceptua-  
26 lized as an autonomous initiative that exemplifies entrepreneurial behavior  
27 (Burgelman, 1983a) within an organizational context and introduces a new,  
28 for the corporation, approach in combining existing corporate resources and  
29 in creating new ventures (Birkinshaw, 2005). A corporate venturing initiative  
30 is subject to an internal selection process, facing internal competition from  
31 alternative initiatives the top management may choose to invest in its  
32 resources and focus on its attention. The discrete negative emotional state on  
33 which this chapter focuses on is envy; a social emotion experienced by  
34 organizational members when they find their social and economic well-being  
35 lower than that of their colleagues (Salovey & Robin, 1984). The emotional  
36 state of envy is understudied in the workplace due to the reluctance of  
37 employees to admit its experience and resulting post-emotional behavior  
38 (Stein, 1997). While the majority of studies in emotions in organizations have  
39 been conducted through lab experiments, this case provides contextualized  
40 and textured narratives of actual organizational members within an  
41 organizational context facing real organizational challenges.

1 The chapter opens with a review on the internal selection process  
literature proposing the need for an emotional approach in studying its  
3 effectiveness. It continues by introducing the analytical mechanism of  
emotional dynamics in exploring how selectors contribute emotionally to  
5 the selection process. The case study of the internal selection of a corporate  
venturing initiative follows to illustrate how negative emotional states  
7 expressed through cost-generating emotional dynamics at the organizational  
level prevented the selection of the initiative. The chapter concludes with a  
9 discussion on the emotional dimension of the internal selection process and  
a call for further research in this field.

## 13 IN DIALOGUE WITH THEORY

### 15 *Evolving Relative Efficiency of Internal Selection Process*

17 Occupying a central role in the variation–selection–retention (VSR) evolu-  
tionary model, the selection process involves mechanisms that “differentially  
19 select or selectively eliminate certain types of variations” (Aldrich & Ruef,  
2006, p. 21). While in the traditional VSR model organizations are treated as  
21 the unit of selection, we examine autonomous initiatives as the unit of  
selection, representing new opportunities for the organization to combine  
23 resources and capabilities (Galunic & Eisenhardt, 1996). Aldrich (1999)  
classifies selection mechanisms as external and internal to an organization.  
25 External selection mechanisms treat the external environment (primarily  
economic) as the main selector of variations, arguing for the alignment or  
27 fitness of an organization to its environment. Internal selection mechanisms  
involve “selective mechanisms that affect the internal dynamics of an evolving  
29 system (Campbell, 1974)” (cited in Durand, 2006, p. 84). The focus of this  
chapter is on the latter, building on Aldrich’s (1999, p. 40) observation that  
31 “indeterminacy is a key feature of evolutionary analysis, and human agency is  
very much part of the explanation” of the internal selection of a variation.

33 Henderson and Stern (2004) argue that internal selectionists view  
organizations as having a multipart and modular center, while external  
35 selectionists view the unit of selection as a monolithic whole. Meyer (1994)  
argues that the internal selection process does not predict higher  
37 performance, but on the contrary initiatives may be selected on the degree  
of their adaptability to other initiatives. Complementarily among initiatives  
39 (Galunic & Weeks, 2002) at the same level of analysis or between different  
levels (Brown & Eisenhardt, 1997) is proposed to increase an initiative’s

1 selection chances leading to organizational efficiency (Miller & Friesen,  
2 1984). Moreover, legitimization and adaptability of an initiative in the  
3 organizational context are proposed to be the main internal selector  
4 mechanisms (Galunic & Weeks, 2002). Aldrich (1999, p. 26) identifies three  
5 types of internal selectors “contributing to the loose coupling of internal  
6 selection and environmental fitness: (1) pressures toward stability and  
7 homogeneity (Campbell, 1969); (2) the persistence of past selection criteria  
8 that are no longer relevant in a new environment (Campbell, 1994); and  
9 (3) the willingness of some organizational founders and leaders to accept a  
10 low performance threshold (Gimeno, Folta, Cooper, & Woo, 1997).” A  
11 common characteristic among these three selectors is the degree of inertia  
12 based on which variations are internally selected or not.

13 Durand (2006) argues that the internal selection process is highly political,  
14 as organizational members with access to resources interfere with the  
15 formation of selection criteria that favor their personal or organizational  
16 interests and reject market-driven variations. Zollo and Winter’s (2002,  
17 p. 342) introduction of codification as the process through which “individuals  
18 codify their understanding of performance implication of internal routines in  
19 written tools, such as memos, manuals, blueprints” extends our under-  
20 standing of “cognitive inertia” in shaping the internal selection environment.  
21 The codification process is affected by the perceptions organizational  
22 members share, based on their aspirations. It is evident that the internal  
23 selection process can be characterized as a cognitive and path-dependent  
24 process, in accordance to Aldrich’s (1999) first two types of internal selectors.

25 Aldrich’s third type of selectors implies the deliberate role of managerial  
26 choice in influencing the internal selection process. Miner (1994, p. 77)  
27 proposes the role of managers “...to influence the internal evolutionary  
28 process.” Goal setting and establishing screening criteria for the initiatives’  
29 survivability are examples of managerial influence in forming internal  
30 selectors. Burgelman’s work (1983a, 1991) stresses the role of top manage-  
31 ment in establishing administrative (strategic planning, control and reward  
32 systems) and cultural (situational rituals and behavioral norms) mechanisms,  
33 as part of an organization’s structural context, which act as internal selection  
34 mechanisms. In the case of autonomous initiatives, Burgelman (1991, p. 247)  
35 proposes the role of the strategic context determination process as the  
36 process through which an initiative can be “internally evaluated and selected  
37 outside the regular structural context, usually through the interactions of  
38 various types of ‘champions’ and top management.”

39 It is evident that this stream of literature positions cognition as having a  
40 central role in the internal selection process, while sporadically providing

1 anecdotes of how the selectors feel about the subject of their selection.  
Recent literature informs us of the existence of co-evolutionary lock-ins, as  
3 sources of strategic inertia which are primarily associated with psychological  
sources of inertia (i.e., beliefs and feelings) (Burgelman, 2002a). While this  
5 literature explores how co-evolutionary lock-ins expressed through the  
behavior of top management teams toward autonomous initiatives influence  
7 the internal selection of the latter, we know little of how these lock-ins are  
generated.

9 The existing literature focuses on the interaction between the top  
management and the champions of initiatives, but it neglects to explore the  
11 interaction among the champions of different initiatives and its impact on  
the internal selection process of the initiative in question. Anecdotal evidence  
13 informs us that coexistence with other initiatives is not conflict free  
(Burgelman, 2002b). Rather, the interactions among champions of competing  
15 initiatives involve people and their emotions (Lovas & Ghosal, 2000;  
Burgelman, 2002b). We propose that this interaction is of critical importance  
17 in understanding the efficiency of an internal selection process. Our  
proposition is based on the rationale that the behaviors of champions of  
19 other initiatives toward the initiative in question may provide the top  
management with information regarding the level of compatibility the  
21 initiative in question has reached in relation to other initiatives. The existing  
literature argues that this type of information could be sufficient to select or  
23 eliminate the initiative in question.

Drawing from these observations in the literature, we argue that a more  
25 insightful exploration of the efficiency of the internal selection process is  
required. We propose an emotional focus for research on the efficiency of  
27 the internal selection process of autonomous initiatives. We aim to do this  
by exploring the emotional dimension of the social interactions among the  
29 individuals directly (top management) and indirectly (champions of  
initiatives in question and champions of other competing initiatives)  
31 involved in the internal selection process of initiatives within an organiza-  
tion. While the top management selects the fittest initiatives, the information  
33 and emotional influences they receive from the champions of various  
initiatives indirectly impact the formation of the selection criteria and the  
35 final outcome of an internal selection process. Even though no analytical  
linkage between the internal selection process of a variation and the  
37 emotional states of individuals involved in the selection process has been  
established before, recent research in the social psychology field informs us  
39 that in the social environment, memes (the informational component of  
routines) undergo an emotional selection process. Ideas succeed in the social

1 environment not only based on the information they bear, but also on “their  
2 ability to tap emotions that are common across individuals ... and on their  
3 ability to provoke emotions” (Heath, Bell, & Sternberg, 2001, p. 1029). As  
4 the intraorganizational ecology of memes has attracted the attention of  
5 researchers in the field of the intraorganizational ecology of routines and  
6 initiatives (Galunic & Weeks, 2002), the impact of emotions on the efficiency  
7 of the internal selection process of variations is a fruitful area to explore.

9  
10  
11 *Internal Selection Process of Autonomous  
Initiatives and Emotional Dynamics*

12  
13 *The Emotional Side of Selection*

14 There appear to be three groups of individuals involved in the internal  
15 selection process of an autonomous initiative, and their social interactions  
16 are proposed to bear emotions that impact the selection or elimination of  
17 the initiative in question. It is worth exploring in detail how each group  
18 contributes emotionally in the internal selection process, in an attempt to  
19 summarize existing empirical findings and uncover gaps.

20 Burgelman (1991), based on March’s (1988) work, argues that organiza-  
21 tional members are driven by obligatory and consequential logic to *champion*  
22 *autonomous initiatives*. “Obligatory logic” is related to the self-image of  
23 organizational members in relation to driving an initiative. “Consequential  
24 logic” is related to their self-efficacy and locus of control efficacy in  
25 considering themselves as capable to “build” such an initiative, or as an  
26 opportunity for them to enhance their career progress. The engagement in  
27 obligatory and consequential logic implies that the organizational members  
28 undergo a cognitive process evaluating their self-being, articulating their  
29 capabilities, and motivating them to become champions of an initiative.  
30 Besides this cognitive side, the entrepreneurship literature informs us that  
31 entrepreneurs who undergo a similar process in pursuing an opportunity are  
32 also passionate. Cardon et al. (2005) were among the first to analytically  
33 introduce the positive impact of positive emotions such as passion, love, and  
34 hope in facilitating the entrepreneurial process of growing a venture and  
35 establishing it in the market. They went on to use the “parenthood”  
36 metaphor to describe the relationship champions develop with their ventures.  
37 Baron (2008) proposes the positive influence positive emotions have on the  
38 entrepreneurs’ cognition in recognizing an opportunity and in acquiring  
39 resources toward it. Assuming that the champions of autonomous initiatives  
undergo a similar emotional process in identifying and pursuing the creation

1 of an initiative, it should be expected that they express their passion and hope  
2 toward the initiative through determination and drive to success. Conse-  
3 quently, we expect that such emotional expressions give a positive signal to  
4 the top management of the level of commitment of these champions toward  
5 the initiatives, who in turn positively support the selection process.

6 While the cognitive role of *top management teams* in forming selection **AU :5**  
7 criteria is well established in the existing literature, it is quite unclear whether  
8 their enthusiasm or skepticism toward an emerging variation influences their  
9 decision-making and codification processes. Based on Burgelman's (2002b)  
10 work on the role of psychological sources of inertia in forming selection  
11 criteria, it can be argued that the way selectors feel toward the initiative in  
12 question has an impact on the selection process. For example, if they feel  
13 enthusiastic toward the initiative in question this will be reflected on the  
14 selection criteria they form, favoring the initiative. Adversely, when selectors  
15 are frustrated about the emergence of a new initiative, as it upsets the existing  
16 population of variations or the distribution of resources, this frustration will  
17 be expressed through the selection criteria they form toward the initiative in  
18 question. Further, in the corporate entrepreneurship context, Brundin,  
19 Patzelt, and Shepherd (2008) enhance our understanding on the positive role  
20 of the display of positive emotions from top management to their employees  
21 (middle and operational management) in enhancing the enactment of  
22 entrepreneurial behavior of the latter. Brundin et al., building on the social  
23 function of emotions literature, argue that through the mechanism of  
24 contagion employees feel encouraged to behave entrepreneurially when they  
25 see their management enthusiastic about their entrepreneurial activities.  
26 Extending this proposition to the internal selection process, it is expected that  
27 the display of positive emotions by the top management toward a variation is  
28 a positive signal of selection to the champions of the initiatives, and a  
29 conditional signal of the internal selection environment as formed by them.

30 For the third group of organizational agents involved in the selection  
31 process, the evolutionary theory suggests that variations face political struggle  
32 and intraorganizational competition from other variations (Galunic & Weeks,  
33 2002). Pre-existing internal criteria create cognitive "blocks" which tend to  
34 skew away new variations. The emergence of new variations may be  
35 interpreted as a threat by the *champions of other initiatives* and as a critical  
36 change in the population of initiatives within an organization. The intrafirm  
37 competition literature (e.g., Birkinshaw & Lingblad, 2005) informs us that the  
38 degree of charter intent's overlap between two units within the same  
39 organizational context and the level of clarity of definition of organizational  
boundaries of each unit moderate the level of intrafirm competition.



1 Organizational members' perceptions and cognitive interpretations of a new  
2 initiative as a threat or an opportunity play a key role in the level of perceived  
3 competition within an organization. However, the existing intraorganiza-  
4 tional evolutionary theory is mute on how the emotional reactions of  
5 organizational members triggered by intrafirm competition may impact the  
6 development of a collaborative or non collaborative social logic toward the  
7 initiative in question, resulting to its selection by the top management  
8 (Galunic & Eisenhardt, 1996). We propose that the emotional states of the  
9 champions of other initiatives, as triggered by the emergence of a new  
10 initiative which seeks selection, will signal to top management the degree of  
11 compatibility of the new initiative with the existing ones, and it will influence  
12 the formation of criteria in selecting in or out the new initiative.

13

#### *Moving from Emotional Reactions to Emotional Dynamics*

15 The chapter has as its theoretical foundation the emotions' social function  
16 literature and, more specifically, the constructs of emotional interactions  
17 (George & Jones, 2001) and emotional dynamics (Huy, 1999). Empirical  
18 findings from the organizational groups and emotions literature inform us of  
19 the social function of emotions and their role in affecting social interactions  
20 among individuals and organizational groups. Emotional reactions, as an  
21 individual-level construct, describe the initial response to a discrepancy  
22 personally relevant to an individual's goals and interests (George & Jones,  
23 2001). Emotions are about expectations and their violations. The creation of  
24 a new situation within an organization may be cognitively evaluated as a  
25 threat or as an opportunity to the well-being of organizational members  
26 related to the situation (Frijda, 1988). The positive or negative cognitive  
27 evaluation of a situation may cause positive or negative emotional states,  
28 accordingly, for these organizational members (George & Jones, 2001).  
29 Previous empirical research has argued that emotional dynamics expressing  
30 or evoking positive emotional reactions have a positive impact on  
31 organizational processes (Huy, 1999), assuming that organizational members  
32 behave as emotionally intelligent individuals. However, discussion of the role  
33 of emotional dynamics expressing negative emotional states from organiza-  
34 tional members whose well-being is anticipated to be negatively affected by  
35 an introduced change within an organization remains mute.

37 The display of emotions through behaviors and actions affect the  
38 emotional well-being of the receivers of emotions and the facilitation of  
39 organizational processes and performance (Rafaeli & Sutton, 1987) in both  
40 positive and negative ways. Hareli and Rafaeli (2008), exploring the social  
41 influences of emotions in organizations, propose the existence of dynamic

1 emotional cycles in organizational dyads and groups. The main characteristic  
3 of these cycles is the existence of mechanisms through which emotions  
5 impact the behavior, cognition, and emotion of others in the same  
7 organizational context. The receivers of the original emotion react by  
9 developing behavior, cognition, and emotions which will impact future social  
11 interactions with the initial senders of the emotion. Jehn (1997) in examining  
13 types of conflict in organizational groups argues that emotions are important  
elements of conflict as they define individuals' subjective interpretations of  
reality and reactions to current situations. Her work highlights the  
importance of negative emotionality and measures the amount of negative  
affect exhibited and felt during conflict. She proposed that high emotionality  
leads "members to lose sight of the task and to focus instead on negative  
affect" negatively impacting group performance and member satisfaction  
(Jehn, 1997, p. 549).

15 George and Jones (2001), examining inertia as a micro-level phenomenon,  
17 propose a process model of individual change within organizations that seeks  
19 to explain how inertia and resistance to change arise at the individual and  
21 group levels of analysis. Their model "focuses on the dynamic interplay  
23 between human cognition and affect in initiating the individual change  
25 process and determining its nature and outcomes" (George & Jones, 2001,  
27 p. 421). They propose that "emotional reactions to discrepancies set the whole  
29 change process in motion..." keeping managers in tune with the changing  
31 circumstances they face. Emotional reactions are the important signals that  
33 managers and all members of an organization receive indicating the need to  
direct one's attention to a pressing concern, problem, or opportunity" (George & Jones, 2001, p. 438). Interpreting the introduction of a new  
initiative within an organizational context as a threat may lead to a negative  
emotional reaction toward the initiative. While George and Jones' work  
contributes to understanding the role of such reactions at the individual level  
of organizational change, this chapter concerns the meso-organizational level,  
in accordance to Huy's (1999) work and aims to explore whether resulting  
emotionally charged behavior (emotional dynamics) impacts the internal  
selection mechanism of an initiative.

35 Huy's (1999) work explores the interaction of emotions and strategic  
37 action, assuming that organizational members, as emotional intelligent  
39 individuals, address their emotional states triggered by radical change  
through behaviors. Organizations that are able to acknowledge, monitor,  
and attend to their members' emotions as manifested by organizational  
norms and routines related to feelings are proposed to have developed  
emotional capability. Emotional states at the individual level and emotional

1 capability at the macro-organizational level are proposed to be linked at the  
2 meso-organizational level with the existence of emotional dynamics.  
3 “Emotional dynamics constitute attributes of an organization’s emotional  
4 capability and are enacted through a specific set of organizational routines,  
5 and, on a smaller scope, they also mirror individual or group behaviors  
6 that arouse specific emotional states conducive to change” (Huy, 1999, pp.  
7 333–334). Examples of emotional dynamics can be identification (expressing  
8 the emotional state of love), encouragement (expressing hope), and  
9 playfulness (evoking fun). Huy links such emotional dynamics with change  
10 dynamics such as receptivity, mobilization, and learning, accordingly, which  
11 facilitate radical change and link adaptation and change at the individuals’  
12 level with change at the macro-organizational level. This argument raises  
13 questions of what kind of emotional dynamics emerges when organizational  
14 members are not emotionally intelligent and a negative emotion is  
15 expressed, and further how these evoked emotional dynamics impact an  
16 event of organizational change, such as the selection of an initiative.

17

19 *Focusing on a Negative Emotion and its Emotional Dynamics:*  
20 *The Case of Envy*

21

22 Envy is a negative but prevalent emotion which has been largely overlooked  
23 in organizational research (Patient, Lawrence, & Maitlis, 2003), but received  
24 significant attention by sociologists and economists. Economists associate  
25 envy to be triggered by the thought of the possessions of others (Elster,  
26 1998). Sociologists argue that semantically there is a distinction between  
27 jealousy and envy (Salovey & Robin, 1984; Bryson, 1977). The main  
28 difference between the two lies in the object of each emotion. Jealousy is  
29 triggered on the grounds of the belief or suspicion that a desired relationship  
30 is in danger of being lost, while envy is triggered by the desire for another’s  
31 attributes, reputation, or possessions.

32 Salovey and Robin (1984) argue that the triggering of envy involves a  
33 process of social comparison carried out by a person between the attributes,  
34 possessions, and attainments of him/her and those of another. A negative  
35 upward comparison around these variables leads to envy. We feel envy when  
36 our self-evaluation is threatened by particularly relevant performances,  
37 possessions, and/or attributes of the person we are being compared to.  
38 Parrott (1991) argues that envy is directed toward those equal to us or like  
39 us, but who are ultimately superior to us. Not all people and their attributes  
and/or performances can be the object of one’s envy. Envy is targeted at

1 people who are self-relevant (Salovey & Robin, 1984) to the comparator.  
2 In the workplace, envy can occur among co-workers who operate at the  
3 same or at higher organizational levels. The latter case is an occurrence of  
4 “neighborhood envy,” where each person, as part of a hierarchy, primarily  
5 envies the person immediately above him/her (Bos & Tillman, 1985).

6 Envy is experienced as a realization of inferiority (Goel & Thakor, 2005).  
7 It involves the feelings of unfairness and injustice, of anger and frustration  
8 caused by the realization of such inferiority, as well as the perception that  
9 the other members of the reference group enjoy more than the individual  
10 carrying out the comparison. It is experienced as a decline in the envious’  
11 utility function as their monetary and non-monetary well-being are lower  
12 than that of their colleagues (Mui, 1995). The object of envy (i.e., a person’s  
13 attributes, possessions, and performance) may be related to the success,  
14 happiness, material or financial well-being, job role and responsibilities, job  
15 and social status, power (social and economic), intelligence, privileges, and  
16 health that someone in a similar domain is enjoying. According to Adams  
17 (1963), in the case of organizational relationships and social comparisons,  
18 parameters of envy can be the inputs and outcomes of an individual in a  
19 working environment. For the purposes of this chapter, envy is perceived to  
20 arise from the comparison of monetary and non-monetary benefits to other  
21 employees at the same organizational level. Monetary benefits can be wages,  
22 bonus, performance intensives, while non-monetary benefits can be job  
23 status, easy access to resources, and operational autonomy.

24 Besides the intra-psychoic dimensions of envy, the way it is externalized  
25 and expressed is of great significance in the organizational context. The  
26 emotion of envy has a social presence and involves at least two groups of  
27 agents: the envious and the envied employees. The displays of the original  
28 emotion involve emotional dynamics, facial expressions, moods, and  
29 cultural forms (i.e., narratives). The economics and sociology literature  
30 inform us that emotional dynamics evoking envy involve degrading the  
31 object of envy (their character and/or performance) (Salovey & Robin,  
32 1984); retaliation toward the object of envy (Mui, 1995), rivalry and  
33 competition (Lehmann, 2001). Parrott (1991) and Ben-Ze’ev (1992) argue  
34 that envy presupposes social comparison, but not necessarily competition.  
35 Relevant studies show that when experiencing envy “man is not made happy  
36 by carrying out his urge to destroy the envied object or its possessor”  
37 (Schoeck, 1987, p. 69). Elster (1998) moves further to argue that to feel envy  
38 is about feeling inferior and as nobody wants to feel inferior, they develop  
39 dissonance reduction mechanisms through which they blame someone else  
(the envied) for their situation or to explain the envied’s superiority. Walton

1 (1975) reports the expression of envy as a self-limiting dynamic of  
resentment and resistance in the diffusion of new work structures in a  
3 Norwegian firm. However, Kets De Vries (1992) reminds us of the  
constructive role of envy in the workplace, evoking motivation to excel  
5 and stimulation for fostering creativity and adaptation.

## 7 **EMPIRICAL CONTEXT**

### 9 *The Evolutionary Path of Corporate Venturing Initiatives*

11 Corporate venturing encompasses the enactment of entrepreneurial behavior  
13 by organizational members within the context and structure of an  
organization, resulting in the creation of new ventures for the parent  
15 organization (Venkataraman, MacMillan, & McGrath, 1992). We approach  
corporate venturing as an initiative that faces entrepreneurial and managerial  
17 challenges along its evolution, and is subject to an internal selection process  
in order to gain legitimacy by the top management. The strategic context  
19 determination is the “political mechanisms through which middle managers  
question the current concept of strategy and provide top managers with the  
21 opportunity to rationalize, retroactively, successful autonomous strategic  
behavior” (Burgelman, 1983a, p. 1350). Burgelman’s (1983a) work is explicit  
23 about the cognitive dimension of the internal selection process venturing  
initiatives are subject to, emphasizing the role of agents and mechanisms in  
25 operation. Primarily, this mechanism involves the strategic determination  
context process and the active role of middle managers championing these  
27 initiatives. The champions delineate the strategic contexts of the new  
ventures, while negotiating with the existing structural context, and coaching  
29 and managing the venture portfolio. In parallel to this, top management, by  
motivating the experimental process toward the creation of new ventures,  
31 authorize the success of the latter, and determine the internal selection  
criteria to rationalize and to incorporate the new ventures into the corporate  
33 strategy, committing the corporation’s full support to them.

### 35 *Corporate Envy as an Emerging Theme in an Organizational Context*

37

One of the challenges in researching emotions in organizational settings is  
39 “gaining research access to situations in which strong or negative emotions  
may arise” (Patient et al., 2003, p. 1017). This study, employing an in-depth

1 qualitative research methodology (Marshall & Rossman, 2006), in a multi-  
2 case-study research design (Eisenhardt & Graebner, 2007; Stake, 2000) as part  
3 of an extended study on how venturing initiatives arise and are implemented  
4 within large corporations, allowed for the emergence of constructs not being a  
5 priori considered by the researcher (Glaser & Strauss, 1967). In the empirical  
6 setting we visited this emerging theme was the emotion of envy.

7 The extended study was organized to study the cases of four corporate  
8 venturing initiatives, each of which was located in four multinationals,  
9 involved in corporate venturing activities. For each case, we conducted semi-  
10 structured interviews with organizational members, directly involved in  
11 corporate venturing and senior corporate managers. In one of the cases (from  
12 now on mentioned as CV1 initiative<sup>1</sup>), the interviewees referred repeatedly to  
13 “envy” as an emotion and as a reason for action (Sabini & Silver, 1986).  
14 It was not the aim of the extended study to research why similar emotions  
15 were not observed in the rest of the cases, or to explore the occurrence of  
16 other specific emotions. However, warned by the literature to be reflective  
17 during the data analysis process, we noticed the emergence of envy as a  
18 significant construct influencing the evolution of the CV1 initiative. The case  
19 of the CV1 initiative and its selection by the top management of its parent  
20 corporation (from now on Corporation ALPHA) constitute the instrumental  
21 case (Stake, 2000) of this chapter.

22 The data used in this chapter involve narratives from four interviewees: the  
23 champion of the CV1 initiative (Manager A), two operational members of the  
24 CV1 initiative’s team (Manager B and Manager C) and a senior corporate  
25 manager (Manager D). Table 1 summarizes the attributes of the interviewees.  
26 The quotes from the interviewees presented are textual references to  
27 emotional episodes of envy, containing the circumstances that led up to  
28 envy, the emotion itself, and subsequent events and actions. Parrott (1991)  
29 argues that an emotional episode is a narrative of an emotional event and he  
30 treats it as a natural unit of analysis for understanding human emotions.  
31 Secondary data in the form of corporate annual reports and media releases  
32 were used to construct the case and verify the validity of the primary data.

33 Envy may be experienced at the dyadic interpersonal and intergroup level  
34 of analysis (Stein, 2000; Smith & Kim, 2007). This analytic differentiation  
35 had implications in the way the narratives were analyzed. Early on in the  
36 analysis, it became apparent that the narratives referred to emotional  
37 episodes of intergroup envy; organizational members of other initiatives felt  
38 envy toward the members of the venturing initiative. However, the  
39 narratives revealed how the envied champions of the venturing initiative  
40 recognized and experienced envy toward them. Consequently, the level of

**Table 1.** Interviewees' Attributes.

Attributes	Interviewee 1	Interviewee 2	Interviewee 3	Interviewee 4
Code name	Manager A	Manager B	Manager C	Manager D
Gender	Male	Male	Male	Female
Association with CV1 initiative	Direct – Champion of CV1 initiative	Direct – Partner and CFO of CV1 initiative	Direct – Partner of CV1 initiative	Direct – Corporate Lawyer
Core responsibility	Managing Partner of the CV1 initiative	Managing CV1 initiative's portfolio	Managing CV1 initiative's investment process	Governance structure of CV1 initiative
Time of involvement in CV1 initiative	1994 – time of interview	1999 – time of interview	2000 – time of interview	1997 – time of interview
Employment background	Joined Corporation ALPHA in 1984	Joined Corporation ALPHA in 1996	Private equity firm – joined CV1 initiative's team in late 1999	Private law firm – joined Corporation ALPHA in 1997

perceived envy identified in the case was formulated considering the frequency of occurrence of the construct of envy in the narratives of each interviewee, and the interpretations provided by each interviewee on the significance of envy in the selection of the venturing initiative. Manager D's narrative is quite influential in this instrumental case, as her role and position in the organizational structure allowed her to be an observer of the emotion of envy and she provided a textured narrative which illustrated how envy was expressed by some organizational members and groups, and their resulting behavior toward the initiative. Examples of other studies on emotions which use both self-reporting and observers' account of individuals' emotional states (e.g., Bartel & Saavedra, 2000) provide analytical and methodological support for utilizing the narratives from observers of the emotion of envy in this instrumental case.

### *Integrating Empirical Findings*

#### *Corporation ALPHA and the CV1 Initiative*

Corporation ALPHA is a leading corporation in the information and media industry with a range of business-to-business customers and a high volume

1 of individual users of its services globally. Corporation ALPHA, at the time  
2 of the research, had an operational profit of £126 million and employed  
3 approximately 15,000 people in 86 countries. Its business operations have  
4 been dependent on information technologies, and historically, Corporation  
5 ALPHA had been keen in following “*disruptive technologies, partly to see if* **AU :7**  
6 *we can be on the crest of the wave of the next big breakthrough, and partly to*  
7 *make sure that we are not overtaken by somebody else*” (Manager D).

8 By the mid-1990s, small, Internet-based start-up companies specializing in  
9 networks software were seen to have the potential to be the new leaders in  
10 the information and media industry. Silicon Valley-based start-up compa-  
11 nies, such as Netscape, could operate at low operational cost and overtake  
12 traditional large companies, such as Corporation ALPHA. The network  
13 technology used by Corporation ALPHA was similar to Internet protocols,  
14 and in a scenario where the Internet was becoming commercially successful  
15 the threat was direct and significant for the corporation. However, the  
16 corporation did not have access to Internet-related software and technol-  
17 ogies, as its in-house technology office had not developed similar  
18 technologies to keep up with the potential competition.

19 This gap in technological know-how was spotted early on in 1992 by  
20 Manager A who, with a sales background, had developed technical expertise  
21 in network-related technologies. He believed that Corporation ALPHA  
22 needed to start investing and gaining access to these technologies, and secure  
23 a first mover’s competitive advantage in the new technological era. Silicon  
24 Valley was the cluster of such technologies. In 1994, Manager A persuaded  
25 his boss, the CFO of Corporation ALPHA, to create a fund and invest in  
26 start-up companies through minority equity investments. He moved to  
27 California to carry out the first corporate venturing investment on the Delta  
28 venture. In 1996, the Delta venture was floated and Corporation ALPHA  
29 achieved significant financial gains (it made an IPO of \$848m market **AU :8**  
30 capitalization in the first week) making the headlines. What started informally  
31 in 1994 as the corporate venturing activities of one manager became more  
32 formal in 1997. During this period, Manager A was the only individual in the  
33 corporation actively identifying external companies and investing in them.  
34 He was passionate and determined to lead his initiative to success: “*it was*  
35 *my thing; it was my project, my idea, my responsibility and my opportunity.*”

36 In 1997, Manager A, after a successful investment period in the USA,  
37 returned to the UK to set up a small but formal corporate venturing team.  
38 The macroeconomic conditions of the late 1990s benefited the performance  
39 of his team’s portfolio and the market value of its quoted investments  
reached £438 million at the end of 1999. The CV1 initiative occupied a page



1 in the 1999's corporate annual report, highlighting its successful activities  
and financial performance. As Corporation ALPHA's top management  
3 team was becoming progressively aware of the venturing activities of  
Manager A, a strategic interest in Internet technologies was developed. This  
5 led to a period of restructuring and re-organization for the corporation  
trying to incorporate the application of the Internet into its operations. As  
7 part of this restructuring process, the top management team of Corporation  
ALPHA decided to formalize the structure and activities of the CV1  
9 initiative by setting up an organizational unit to host it. In 1997, a venture  
capital fund was created by the CFO and allocated at the CV1 initiative to  
11 conduct its investments. This fund was doubled in 1999, to reflect the  
funding needs of the initiative, and the positive expectations formed from its  
13 financial performance. In late 1999, an executive director was given strategic  
responsibilities in exploiting Internet technologies and a new business  
15 division responsible for "*investing in new initiatives in the internet and  
e-commerce areas*"<sup>2</sup> was created.

17 By early 2000, the new corporate "*strategy for the Internet age*"<sup>3</sup> was  
announced, placing Internet at the core of the corporation's interest.  
19 However, in 2001 the market value of the CV1 initiative's venture portfolio  
declined significantly, resulting at a net loss of £145 million. Since the mid-  
21 2000, Corporation ALPHA's management team started to consider an IPO  
for the CV1 initiative involving external investors. In early 2001, the initiative  
23 was spun out, as "*it had reached a stage where its size and investment capacity  
exceeded [Corporation ALPHA's] strategic needs*"<sup>4</sup>. Previously, the CFO,  
25 the CV1 initiative's main political supporter, had resigned.

### 27 *The Internal Selection Environment of Corporation ALPHA*

It was culturally accepted and expected within Corporation ALPHA for  
29 corporate employees such as Manager A to be creative and proactive in  
noticing trends and changes in the external environment, taking risks and  
31 venturing into novel activities as "*nobody stopped you from being creative  
and doing things, and the company had the money to invest and do all those  
33 sorts of things*" (Manager B). "*So as long as you played the game where you  
just went off and did it and got on with it.*" Experiential learning and  
35 competition between internal projects were encouraged within the corpora-  
tion being "*a great place to learn all [about] your mistakes and things and  
37 build a process and so forth*" (Manager B). Manager D described the  
corporate culture as anarchic, being adventurous and open to uncertainty,  
39 allowing corporate managers to be involved in new activities, but expecting  
them to contribute back to the corporation. There was a commonly shared

1 belief among corporate employees that such behavior would be rewarded  
through tangible financial rewards, but most importantly through intangible  
3 means such as hierarchical status and promotion:

5 [there was a] lot of encouragement to take risk, but also a lot of control to stop the risk  
being too much risk ... but you have to wait for the case sensibly and responsibly and  
you have to do your lobbying to get people to agree. (Manager A)

7 There is that piece of liking of adventure and uncertainty and kind of wild crazy ideas  
9 that might come home to roost fantastically well. (Manager D)

11 For an autonomous initiative to get the attention and rewards from the top  
management it required political lobbying (Durand, 2006), clear delineation  
of the initiative's intent (Burgelman, 1983a) and achievement of a level of  
13 performance in the external market. The corporation had resources to finance  
such initiatives at their experimentation process but further access to  
15 recourses would have required tangible outcomes and contribution to the  
corporation.

17

#### *The Strategy Determination Process of the CV1 Initiative*

19 It was within such a selection environment that in 1994 Manager A started  
to form the intent of his initiative: to invest in external ventures and gain  
21 access to their technological capabilities. He knew that he had the  
capabilities (self-efficacy) to conduct such activities (Harper, 2003). More  
23 significantly, his close relationship with the CFO allowed him an informal  
but direct access to resources and to communication avenues in order to  
25 delineate the intent of the initiative. He was determined to succeed in  
championing this initiative, as his motivation to have his own enterprise. His  
27 own interpretation of the situation the corporation was facing was that there  
was an opportunity to be explored. This process guided the formation of the  
29 CV1 initiative's strategic intent, which was "*to understand innovation*" by  
conducting "*minority investments to protect an existing franchise ... taking*  
31 *small stakes that were very speculative that would bring the little company*  
*closer to [Corporation ALPHA].*"

33 However, after 1997 and following the high financial performance of the  
CV1 initiative, the intent changed. According to Manager D "*the original*  
35 *plan was about acquiring technology... It was not financial at all. As it turned*  
*out, because of the dot com boom, it turned out to be hugely successful*  
37 *financially, but that was without doubt, not the original intention.*" The  
financial performance of the CV1 initiative had a direct positive impact on  
39 the financial performance of the corporation, both in terms of return on  
investment rate and of generated profits. Individually each investment and

1 the overall portfolio had a significant financial impact on the corporation.  
At the end of 1999, the portfolio reached its highest value ever (its market  
3 value was £438 million). The CV1 initiative was perceived as a “*money  
machine*” unit and associated with high financial gains.

5 The passion of the venturing management in leading the CV1 initiative  
contributed positively in defining the intent and organizational boundaries  
7 of the new unit (Cardon et al., 2005). Managers B and C argue that their  
determination to be successful forced the team formed around the initiative  
9 to develop its own capabilities and social network within and outside the  
organizational boundaries. The team developed sophisticated practices and  
11 increased its efficiency in conducting minority equity investments, identifying  
potential investors, and growing these ventures into successful IPOs. The  
13 organizational charter of the initiative was crystallized and its members  
perceived their team’s efficiency and performance as superior to other  
15 initiatives.

The positive financial performance of the CV1 initiative, coupled with the  
17 overall good performance of the corporation in 2000, led to the emergence  
of a positive emotional energy:

19 in 2000 actually, there was a shift in [Corporation ALPHA]’s culture to be much more  
adventurous, experimental and our share price was very high, and there was a sense of  
21 tremendous energy and ‘anything is possible’... and anyway the [CV1 initiative] was an  
element of that, but it wasn’t the driver of it, it was the whole market. (Manager D)

23 The dissemination of this positive emotional energy to the top management  
enhanced the legitimization process of the CV1 initiative, as the strategic  
25 intent of the initiative was articulated to them and could now identify with it.  
Huy (1999) argues that identification is one of the emotional dynamics that  
27 can facilitate organizational change. The instrumental case supports this  
proposition as enthusiasm, expressed through articulation and identification,  
29 enhanced the strategy determination process of the initiative in question.  
Manager A argues that between 1997 and 1999, other organizational  
31 members also “*were excited by [the CV1 initiative], it was considered to be  
fun and creative and fast moving and successful*” creating opportunities for  
33 intraorganizational networking to support his initiative.

35

#### *Competition and Linkages with Other Initiatives*

37 The organizational charter of the CV1 initiative was progressively crystal-  
lized, and the initiative increased its visibility to the top management and  
39 gained further access to financial resources. Simultaneously, other  
organizational members involved in other initiatives became aware of these

1 developments, as they observed an informal and small initiative that became  
quite significant and important for the corporation. An evidence of this was  
3 the Internet strategy the corporation was adopting after 1999. Among these  
organizational members were the employees of the Technology Office, the  
5 in-house R&D vehicle of the corporation, who traditionally would have  
been involved in developing new technologies for the corporation. Manager  
7 A's activities, in acquiring externally developed technologies, were perceived  
by the employees of the Technology Office as a direct competition to the  
9 Office's organizational charter (Birkinshaw & Lingblad, 2005). They felt  
that it was "*done deliberately ... but that is actually quite difficult to live with,*  
11 *if you are one of the people who is being challenged by this*" (Manager D).  
They felt intimidated and challenged, and started to interpret the emergence  
13 of the CV1 initiative as a threat to their unit's activities and survivability.  
Their expectations for exclusivity in delivering new technologies were  
15 violated, and their future appeared uncertain.

Besides this trigger of intrafirm competition, it became public knowledge  
17 within the corporation that Manager A and his team were enjoying  
monetary and non-monetary benefits, such as high bonuses, options in the  
19 ventures they were creating, and developing a high profile within the  
organization. Other organizational members started to compare their well-  
21 being to that of the CV1 initiative's team members, finding their situation  
lower than that of the latter: "*well my desk is here, and this person's desk [the*  
23 *CV1 initiative's employees] is there, and they have gone with the new business*  
*and they have been given options and they are going to become billionaires, and*  
25 *I am sitting here doing my boring job with company APHA options, and that is*  
*not going to get me anywhere*" (Manager D). As Manager D recalls, the  
27 outcome of this comparison resulted in the emergence of the emotion of  
envy toward the CV1 initiative's team members.

29 The CV1 initiative's team members became the object of envy, as they were  
perceived to violate the existing organizational justice perceptions on the  
31 distribution of income and remuneration rewards (Adams, 1963). It is evident  
that perceptions of equity and equality within a corporation are shaped on  
33 the basis of corporate policies regarding income distribution within the  
organization. Pre-existing practices that are followed by a corporation  
35 regarding the remuneration system shape hierarchies within the corporation  
and their violation triggers a process of social comparison (Salovey &  
37 Robin, 1984). The CV1 initiative "*was actually a special case, ... that is*  
*when people in the organization started to be less amenable*" (Manager D)  
39 and the legitimization process followed by the top management appeared  
to upset other organizational members, jeopardizing any possibility for

1 compatibilities and synergies among the CV1 initiative and other initiatives  
to emerge.

3 On the other hand, Managers A, B, and C, all core members of the CV1  
5 initiative's team, came to realize that their financial success had become the  
7 object of envy. They were experiencing envy as hostility and resentment to  
co-operation, as resistance, degrading of capabilities the CV1 initiative had  
developed, and through competition and isolation:

9 Corporate venture capital is compensation and jealousy: 'why should I [non-venturing  
11 manager] help them [corporate venturing managers], because I am just helping them  
make money', right? (Manager C)

13 ... when we did have problems, later on, was when [the CV1 initiative] became very  
15 successful and all of a sudden making significant salaries, people got jealous and then  
they stopped being co-operative. (Manager A)

17 I actually think success within a corporate can breed jealousy, and therefore breed  
19 isolation. And it is not just ... it is anything if one business unit is particularly successful,  
then everyone is jealous of everyone who is in that unit, right? It doesn't matter what the  
thing is, and you know, the way organizations are, you have little empires and there is a  
"wasn't invented here" type mentality. (Manager B)

21 The emergence of negative emotional dynamics is suggested by the  
23 resentfulness of the Technology Office's employees to assist the CV1  
initiative's activities. The CV1 initiative was dependent on the Technology  
Office for the successful acquisition of the ventures they were investing in.  
25 Some of these ventures required the co-operation of internal champions in  
order to grow, but as Manager D recalls, the Technology Office's employees  
27 were denying any assistance and support in growing the CV1 initiative's  
ventures as:

29 it was a combination of 'non-invented-here', and 'why should I help [Manager A],  
31 because if I help him and his businesses do well, he becomes personally rich and I don't',  
and 'I don't particularly need to be disrupted by this new technology, actually I have got  
plenty on my plate doing what I am doing'.

33 This quote describes the comparison process an individual from the  
35 Technology Office carried out and the cognitive and behavioral consequences  
resulting from the emotion of envy the individual felt. We can consequently  
37 argue that, through emotional contagion (Bartel & Saavedra, 2000) envy was  
experienced within the Technology Office and expressed at the group level as  
39 resentfulness, skepticism, devaluation of performance of and competition  
toward the CV1 initiative. Collectively, a negative perception was created

1 toward the initiative and the top management team, such as Manager D  
2 started to become more and more aware of it.

3

*The Internal Selection Process of the CVI Initiative*

5 The data indicate that Corporation ALPHA's top management team was  
6 more interested in and enthusiastic about the financial performance of the  
7 CVI initiative, rather than associating its activities with other initiatives and  
8 increasing its complementarity. Interestingly, the initial intent of the CVI  
9 initiative was the acquisition of external technological know-how and  
10 business models. However, there is no evidence of the establishment of  
11 integration or complementarity mechanisms to facilitate their internaliza-  
12 tion (Burgelman, 2002b). The inability of the top management to integrate  
13 the CVI initiative, due to the lack of clear strategic vision of how to use it,  
14 triggered further feelings of uncertainty to those members who were in direct  
15 competition with the CVI initiative's actions. In turn, seeing their internal  
16 selection not being efficient, the CVI initiative's team focused on its  
17 financial performance, as this would have satisfied their external selection.  
18 Their rationale was that as long as internally the initiative could not achieve  
19 fitness with other induced initiatives, a positive contribution to the  
20 organizational performance would have ensured its survivability. The  
21 champions and members of other organizational initiatives perceived this  
22 change of focus as an arrogant and elitist behavior by the CVI initiative,  
23 perceiving it as an independent venture capital company, creating further  
24 distance between it and other initiatives.

25 This was more than a perception, as progressively by 1998 "[the CVI  
26 initiative's employees] compared themselves against external venture capital  
27 companies – and they were therefore not prepared to be bound by the  
28 restrictions, as they saw it, of being part of a big corporation" (Manager D).  
29 By that time, venture capitalists had joined the CVI initiative's team and the  
30 comparison between the financial incentives of the venture capital industry  
31 and the corporation's remuneration policy was inevitable. This comparison  
32 altered the venturing managers' sense of perceptual justice. Manager C  
33 argues that "corporate venturing generally has a negative impact on culture,  
34 because it creates the culture of greed, of making a quick buck, of 'what  
35 am I worth', and 'what is my time worth to you' and short-termism." As  
36 the corporate remuneration scheme was not satisfactory for the CVI  
37 initiative's members, a distinctive scheme similar to the one of venture  
38 capital companies had to be established to compromise both parties. The  
39 top management was quite quick in satisfying the CVI initiative's  
remuneration needs.

1       However, this amendment of the corporate remuneration policy for the  
 3       special case of the CV1 initiative disrupted the pre-existing cultural norms  
 5       and perceptions of justice within Corporation ALPHA. Perceptions on  
 7       justice motivate social comparison (Tyler, 1991). Norms regarding  
 9       distributive (equity) (Adams, 1963) and procedural (equality) (Cohen-  
 11       Charash, Mueller & Goldman, 2004) justice monitor the occurrence of envy  
 13       within an organization (Cohen-Charash & Byrne, 2008). Manager D  
 15       observed that the escalation of envy toward the CV1 initiative and its  
 17       members led to rather destructive culture of competition and skepticism  
 19       toward the level of the initiative’s fitness to the rest of the corporation,  
 21       resistance to co-operation, but more significantly declining political support  
 23       in retaining the initiative:

13       As the fortunes or the returns of the [CV1 initiative] changed, there was a fairly high  
 15       degree of skepticism. Some people who actually could have made a big difference, a  
 17       couple of main people, some of the people who are in our Technology Office, which is  
 19       kind of central office that deals with Technology generally – they were very negative  
 21       about it, sort of skeptical and more so. And they poisoned quite a lot of people’s  
 23       attitudes toward it [CV1 initiative]. I always thought that was partly to do with envy and  
 25       partly to do with just not believing in it. (Manager D)

21       Selection agents who had the political power to re-establish the strategic  
 23       intent of the CV1 initiative may have been influenced directly or indirectly  
 25       by the “*culture of envy*” surrounding the venturing initiative. This influence  
 27       is suggested to have led to the formation of selection criteria which  
 29       eventually selected out the venturing initiative.

25

## 27                                   DISCUSSION AND CONCLUSION

### 29                   *Efficiency of the Internal Selection Process and Emotional Dynamics*

31       The case of CV1 initiative as presented in Fig. 1 illustrates how emotional  
 33       dynamics influenced its evolution: its conceptualization as a new combina-  
 35       tion of recourses for Corporation ALPHA (variation), its initiation  
 37       and authorization of allocation of recourses from the top management of  
 39       the organization (selection), and its transformation from a small team  
 into an organizational unit (retention). Manager A’ enthusiasm and affect  
 toward the opportunity he identified in early 1992 guided the political  
 lobbying and intra-organizational networking to gain attention and  
 trust by the top management, and to delineate the intent of his initiative  
 (Burgelman, 1991). He perceived his initiative as an avenue for achieving

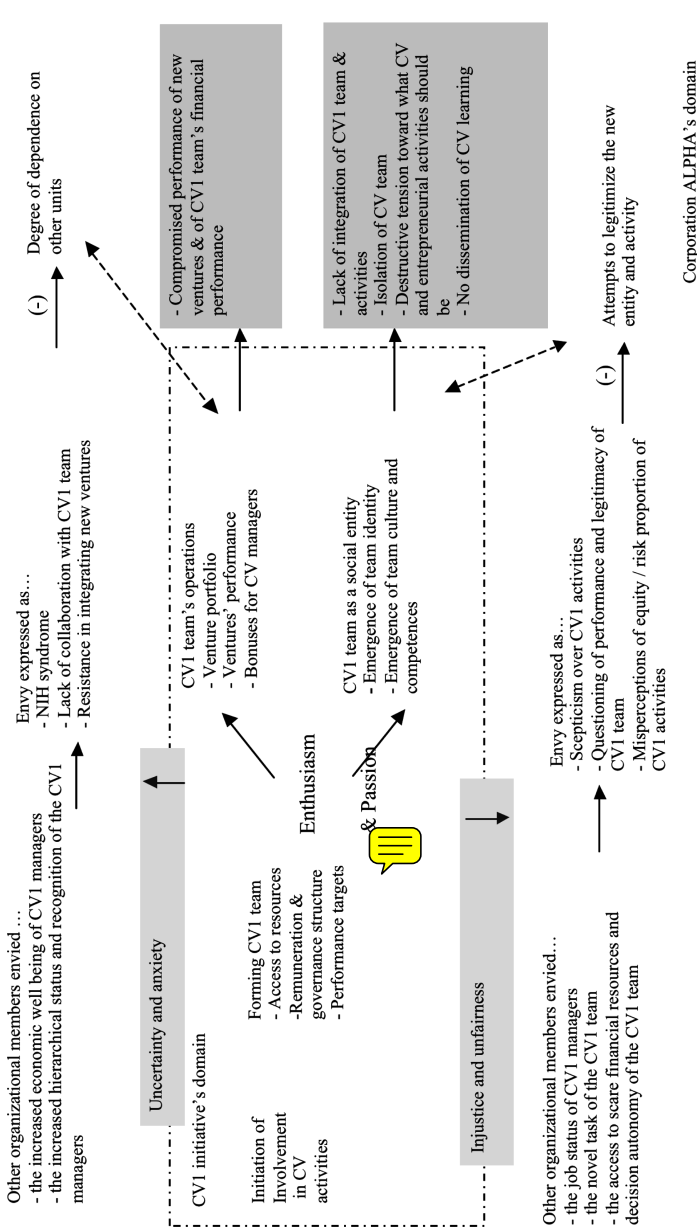


Fig. 1. Corporation ALPHA's Domain.



1 career progress (consequential logic), deriving from a strong self-belief in his  
2 capabilities and skills to do so (Harper, 2003). These emotions were  
3 expressed and exemplified as identification with the initiative and motivation  
4 (Huy, 1999) to drive it to growth and success; two dynamics which the data  
5 indicate to have facilitated the strategy determination process of the CV1  
6 initiative. The financial success of the initiative created euphoria among the  
7 top management, who started also to identify and financially and politically  
8 support the new initiative. The CV1 initiative gained attention and other  
9 organizational members were enthusiastic to join its activities and become  
10 members of it.

11 However, the emphasis of the top management team on the economic  
12 performance of the initiative and its enthusiasm solely on the initiative's  
13 financial contribution to the corporation led to an amendment of the strategic  
14 intent for the CV1 initiative. While Burgelman (1991) emphasizes that the  
15 effectiveness of the selection process of variations is on the correspondence of  
16 the internal selection process to the external selection pressures, in the case of  
17 the CV1 initiative its financial performance was its only selector. Internal  
18 selectors such as compatibility and fitness with other initiatives were absent.

19 Moreover, the internal selection environment formed between 1997 and  
20 2000 within Corporation ALPHA had a negative, eventually, impact on the  
21 selection of the CV1 initiative. Influenced again by the enthusiasm of the  
22 initiative's financial performance, the top management team was keen in  
23 retaining the initiative and primarily its good performance. In response to  
24 this, the top management amended the corporate budgeting and remuneration  
25 structures to satisfy the needs of the CV1 initiative's managers.  
26 However, this amendment of the internal selection environment was rather  
27 catastrophic for the organization and the initiative. Other organizational  
28 members, working for initiatives that were also competing for attention  
29 from the top management team, perceived these changes as injustice and  
30 unfairness, while being uncertain and confused over how one initiative (CV1  
31 initiative) achieved such a favorable selection. These organizational  
32 members felt a drop in their economic and social well-being, and started  
33 to feel envious toward the privileges, the attention, and the big bonuses the  
34 CV1 initiative was enjoying (Adams, 1963).

35 On the other hand, the establishment of a distinctive remuneration system  
36 to reward the CV1 initiative's managers was in alignment to their obligatory  
37 logic which made them to believe that there was a distance between them  
38 and the rest of the corporation. Perceiving their group as of superior  
39 capabilities and performance in comparison to other group did not facilitate  
any degree of complementarity and integration with other initiatives. The

1 distance with other initiatives had begun to grow, as their members feeling  
2 envious toward the CV1 initiative were reluctant to collaborate with the  
3 latter and establish any linkages with them (Lehmann, 2001). This resulted  
4 in further isolation of the CV1 initiative. When the external environment  
5 selected out the CV1 initiative due to its poor performance in 2001, the  
6 absence of internal selectors indirectly led to the termination of the initiative  
7 for the corporation. The emotional “fallout” as experienced by the emotions  
8 of envy created round the CV1 initiative continued to skew out its selection  
9 and fitness with the rest of the corporation (Walton, 1975).

10 The case of Corporation ALPHA and the selection case of CV1 initiative  
11 highlight three areas in which emotions may interfere in the internal selection  
12 process of autonomous initiatives: (a) in the strategic context determination  
13 process of a new initiative; (b) in the alignment of structural and strategic  
14 context in forming the internal selection environment of an initiative; and  
15 (c) in the establishment and maintenance of linkages between autonomous  
16 and induced initiatives. The instrumental case informs us of how negative  
17 emotional dynamics evoking negative emotions toward an initiative may  
18 undermine its internal selection. These negative emotions were generated by  
19 the top management’s mismanagement of the strategic context determination  
20 process of the initiative and by creating an ineffective internal selection  
21 environment (disruption of organizational justice norms and negligence of  
22 linkages among initiatives), resulting in high levels of autonomy and distance  
23 between the CV1 initiative and the rest of the corporation to develop.

25

### *Theoretical and Managerial Implications*

27

28 The chapter unfolded through an instrumental case the role emotional states  
29 and resulting emotional dynamics have in the internal selection process of  
30 autonomous initiatives. It focused on the prevalent but overlooked  
31 emotional state of envy to examine how it emerges during and influences  
32 the internal selection process of an initiative.

33 Existing literature in the ecology of routines indicates that the internal  
34 selection process can be deliberate (Burgelman, 1983b; Miner, 1994) with  
35 organizational members participating in it influencing the process of  
36 “selecting for” or “selecting against” variations. This stream adopts a  
37 rational approach toward the role of these members. The role of the  
38 emotional organizational member in affecting the internal selection mechanism  
39 was introduced in this chapter. The chapter responds to recent calls in the  
intraorganizational evolution field which beg for a closer attention to the role

1 emotions have in shaping intraorganizational cognition and institutions  
(Fiol, 2002; Elsbach, 2002). The impact of post-emotional responses on  
3 cognition and consequently on behavior has been well researched by  
organizational psychologists. Its extension to the intraorganizational ecology  
5 of routines is anticipated to extend our knowledge on how routines emerge,  
are selected and retained. Contrary to the modeling of the internal selection  
7 process of new variations as the outcome of the interaction between  
the middle management of a focal variation and the top management, this  
9 chapter proposed a three-party interaction model which influences this  
process. The chapter incorporates the notion of intrafirm competition among  
11 variations and argues that the interaction among competing variations **AU :9**  
and their champions is emotionally charged, influencing the adoption of a  
13 co-operative or competitive behavior among them to guide their evolution,  
and ultimately affecting the efficiency of the internal selection process of  
15 variations at the intraorganizational level of analysis.

The chapter suggests that the emotions (i.e., passion and enthusiasm)  
17 experienced by the individuals championing an autonomous initiative have a  
crucial role in its strategy determination process. This can be considered as a  
19 positive dynamic for these individuals in selecting among their personal  
options to be involved or not in entrepreneurial activities, confirming Cardon  
21 et al.'s (2005) propositions. At the intraorganizational level of analysis  
though, the chapter unfolded the role of emotional dynamics as negative  
23 dynamics in the selection process connecting cognitive inertia at the micro  
(individual) and macro (organizational) level, extending Huy's work on the  
25 role of positive emotional dynamics in facilitating organizational change.

The instrumental case also suggests that the emergence of envy through  
27 out the internal selection process of an autonomous initiative is contingent  
on the strategic implementation of the initiative in question, including the  
29 remuneration structure and resource allocation system of the initiative, and  
on the social processes developed among the championing teams of co-  
31 existing initiatives. Further, the case unfolds the dynamics of the social  
influence of the emotion of envy and its resulting cognitive and behavioral  
33 consequences at the organization level in increasing the level of resentment  
for collaboration and the level of competition among initiatives. The case  
35 also highlights the role top management needs to pay in managing the  
emotional reactions across the organization triggered by amendments in the  
37 control and rewards systems, when selecting and retaining new initiatives.  
The expression of envy through negative emotional dynamics from  
39 organizational members toward a new variation might explain the existence  
of cognitive inertia in forming selection criteria.

1 For researchers, this chapter builds on the sociological perspective in  
treating emotions as the link between agency and structure (Barbalet, 2002,  
3 p. 3), with emotions providing not only feedback and instant evaluation of  
circumstances, but also “influence the disposition of the person for a  
5 response to those circumstances.” In the internal selection process, agency  
and structure meet, with the former having an influential role in forming  
7 selection criteria and setting goals for the organization, and the latter  
providing pre-existing selection criteria and environmental factors which  
9 create inertia in the selection process. Emotions, such as envy, toward a  
variation can be influential as signals of the dynamics and efficiency of the  
11 internal selection process. This proposition is of great importance in the  
corporate entrepreneurship context, as it provides an alternative explana-  
13 tion to the entrepreneurial and managerial challenges that entrepreneurial  
initiatives are faced with within an organization. Envy toward the rewards  
15 of enacting entrepreneurial behavior implies a negative feedback by the  
structure toward the entrepreneurial agency and its behavior.

17 For top and middle management, this chapter highlights their critical role  
in detecting emotions such as envy toward initiatives and in utilizing them as  
19 indicators of resulting behaviors toward them, considering their high risk and  
outcome uncertainly. Leadership may be a significant moderating factor in  
21 managing effectively the display of the emotion of envy by being sensitive  
about the formed expectations toward equity and equality among organiza-  
23 tional members. Further, top and middle management may play a role in  
transforming envy into a positive emotional dynamic, such as motivation and  
25 creativity rather than solely as a negative dynamic (i.e., resentment). In the  
corporate entrepreneurship context this is crucial considering the managerial  
27 challenge in preserving the corporate identity of the employees, but at the  
same time creating incentives to allow them to develop entrepreneurial  
29 behavior.

The chapter acknowledges its empirical and analytical limitations.  
31 A single case study and a single visit at the empirical setting are not  
sufficient to provide generalized propositions. Further research is required  
33 in designing research projects which will examine the interference of  
emotions and emotional dynamics in the internal selection process of  
35 initiatives. The purpose of the chapter was rather to analytically propose the  
existence of such interference, and make the first step in highlighting its  
37 theoretical and managerial significance. Further, future research needs to  
explore other discrete emotions such as passion, enthusiasm, hope,  
39 frustration which might be experienced by organizational members directly  
and indirectly involved in the evolution of initiatives. This will provide

1 insight to a different range of emotional dynamics such as identification and  
 2 learning to be explored and linked with the internal selection process. The  
 3 study of a range of discrete emotional states in relation to the evolution  
 4 process of initiatives will progressively allow for a better understanding and  
 5 more coherent formation of propositions on the role of affect, aside other  
 6 cognitive factors, in the internal selection process to be developed.

## 9 NOTES

- 11 1. The identity of the initiative, its parent corporation and of the interviewees  
 12 remains confidential.  
 13 2. Corporate press release: July 6, 1999.  
 14 3. Corporate Press Release: March 22, 2000.  
 15 4. Annual Report, 2001.

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