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CHAPTER 1

CORPORATE ENVY AND EMOTIONAL DYNAMICS IN THE INTERNAL SELECTION PROCESS OF CORPORATE VENTURING INITIATIVES

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ABSTRACT

Corporate venturing initiatives, which exemplify corporate entrepreneurial behavior, follow an evolutionary path of variation, selection, and retention. While their external selection is a consequence of their performance, their internal selection is subject to forces of complementarity and legitimacy, and how well competition from other initiatives is overcome. This chapter aims to unfold the dynamics of the internal selection process of initiatives, 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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are used to illustrate how the emotional dynamics of organizational members evoked envy toward a venturing initiative and directly impacted its degree of competition and complementarity with other interacting initiatives, ultimately hampering its selection.

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INTRODUCTION

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

We aim to do so by exploring the micro-processes of interaction (a) among champions of competing initiatives and (b) between the champions and the top management. We argue that a more complete understanding on the effectiveness of the internal selection of autonomous and entrepreneurial initiatives will be reached by exploring how emotions, as expressed and experienced by selectors, impact the selection process. While we know, for example, that champions of initiatives are passionate to make their initiatives work (Cardon et al., 2005), we do not know how top management feel about the initiative in question and whether their emotions influence its selection. Further, we do not know how the champions of other initiatives emotionally react toward the initiative in question and whether the expression of these emotions undermines or facilitates the selection of the initiative in question. 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.

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

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

Internal Selection Process of Autonomous Initiatives and Emotional Dynamics

The Emotional Side of Selection

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

Burgelman (1991), based on March’s (1988) work, argues that organizational members are driven by obligatory and consequential logic to *champion autonomous initiatives*. “Obligatory logic” is related to the self-image of organizational members in relation to driving an initiative. “Consequential logic” is related to their self-efficacy and locus of control efficacy in considering themselves as capable to “build” such an initiative, or as an opportunity for them to enhance their career progress. The engagement in obligatory and consequential logic implies that the organizational members undergo a cognitive process evaluating their self-being, articulating their capabilities, and motivating them to become champions of an initiative. Besides this cognitive side, the entrepreneurship literature informs us that entrepreneurs who undergo a similar process in pursuing an opportunity are also passionate. Cardon et al. (2005) were among the first to analytically introduce the positive impact of positive emotions such as passion, love, and hope in facilitating the entrepreneurial process of growing a venture and establishing it in the market. They went on to use the “parenthood” metaphor to describe the relationship champions develop with their ventures. Baron (2008) proposes the positive influence positive emotions have on the entrepreneurs’ cognition in recognizing an opportunity and in acquiring 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
3 initiative as a threat or an opportunity play a key role in the level of perceived
5 competition within an organization. However, the existing intraorganiza-
7 tional evolutionary theory is mute on how the emotional reactions of
9 organizational members triggered by intrafirm competition may impact the
11 development of a collaborative or non collaborative social logic toward the
13 initiative in question, resulting to its selection by the top management
(Galunic & Eisenhardt, 1996). We propose that the emotional states of the
champions of other initiatives, as triggered by the emergence of a new
initiative which seeks selection, will signal to top management the degree of
compatibility of the new initiative with the existing ones, and it will influence
the formation of criteria in selecting in or out the new initiative.

Moving from Emotional Reactions to Emotional Dynamics

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

35 The display of emotions through behaviors and actions affect the
37 emotional well-being of the receivers of emotions and the facilitation of
organizational processes and performance (Rafaeli & Sutton, 1987) in both
39 positive and negative ways. Hareli and Rafaeli (2008), exploring the social
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,
p. 421). They propose that "emotional reactions to discrepancies set the whole
change process in motion..." keeping managers in tune with the changing
circumstances they face. Emotional reactions are the important signals that
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.

Huy's (1999) work explores the interaction of emotions and strategic
action, assuming that organizational members, as emotional intelligent
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

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

20
21 Envy is a negative but prevalent emotion which has been largely overlooked
22 in organizational research (Patent, Lawrence, & Maitlis, 2003), but received
23 significant attention by sociologists and economists. Economists associate
24 envy to be triggered by the thought of the possessions of others (Elster,
25 1998). Sociologists argue that semantically there is a distinction between
26 jealousy and envy (Salovey & Robin, 1984; Bryson, 1977). The main
27 difference between the two lies in the object of each emotion. Jealousy is
28 triggered on the grounds of the belief or suspicion that a desired relationship
29 is in danger of being lost, while envy is triggered by the desire for another’s
30 attributes, reputation, or possessions.
31

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.
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
“neighborhood envy,” where each person, as part of a hierarchy, primarily
5 envies the person immediately above him/her (Bos & Tillman, 1985).

Envy is experienced as a realization of inferiority (Goel & Thakor, 2005).
7 It involves the feelings of unfairness and injustice, of anger and frustration
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
carrying out the comparison. It is experienced as a decline in the enviers’
11 utility function as their monetary and non-monetary well-being are lower
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,
happiness, material or financial well-being, job role and responsibilities, job
15 and social status, power (social and economic), intelligence, privileges, and
health that someone in a similar domain is enjoying. According to Adams
17 (1963), in the case of organizational relationships and social comparisons,
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
arise from the comparison of monetary and non-monetary benefits to other
21 employees at the same organizational level. Monetary benefits can be wages,
bonus, performance intensives, while non-monetary benefits can be job
23 status, easy access to resources, and operational autonomy.

Besides the intra-psychic dimensions of envy, the way it is externalized
25 and expressed is of great significance in the organizational context. The
emotion of envy has a social presence and involves at least two groups of
27 agents: the enviers and the envied employees. The displays of the original
emotion involve emotional dynamics, facial expressions, moods, and
29 cultural forms (i.e., narratives). The economics and sociology literature
inform us that emotional dynamics evoking envy involve degrading the
31 object of envy (their character and/or performance) (Salovey & Robin,
1984); retaliation toward the object of envy (Mui, 1995), rivalry and
33 competition (Lehmann, 2001). Parrott (1991) and Ben-Ze’ev (1992) argue
that envy presupposes social comparison, but not necessarily competition.
35 Relevant studies show that when experiencing envy “man is not made happy
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
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

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

EMPIRICAL CONTEXT

The Evolutionary Path of Corporate Venturing Initiatives

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

Corporate Envy as an Emerging Theme in an Organizational Context

One of the challenges in researching emotions in organizational settings is “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-
case-study research design (Eisenhardt & Graebner, 2007; Stake, 2000) as part
3 of an extended study on how venturing initiatives arise and are implemented
within large corporations, allowed for the emergence of constructs not being a
5 priori considered by the researcher (Glaser & Strauss, 1967). In the empirical
setting we visited this emerging theme was the emotion of envy.

7 The extended study was organized to study the cases of four corporate
venting initiatives, each of which was located in four multinationals,
9 involved in corporate venturing activities. For each case, we conducted semi-
structured interviews with organizational members, directly involved in
11 corporate venturing and senior corporate managers. In one of the cases (from
now on mentioned as CV1 initiative¹), the interviewees referred repeatedly to
13 “envy” as an emotion and as a reason for action (Sabini & Silver, 1986).
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
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
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
corporation (from now on Corporation ALPHA) constitute the instrumental
21 case (Stake, 2000) of this chapter.

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
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.
The quotes from the interviewees presented are textual references to
27 emotional episodes of envy, containing the circumstances that led up to
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
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
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
of analysis (Stein, 2000; Smith & Kim, 2007). This analytic differentiation
35 had implications in the way the narratives were analyzed. Early on in the
analysis, it became apparent that the narratives referred to emotional
37 episodes of intergroup envy; organizational members of other initiatives felt
envy toward the members of the venturing initiative. However, the
39 narratives revealed how the envied champions of the venturing initiative
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
40 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*"² was created.

17 By early 2000, the new corporate "*strategy for the Internet age*"³ 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*"⁴. 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
 3 through tangible financial rewards, but most importantly through intangible
 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
 7 you have to do your lobbying to get people to agree. (Manager A)

9 There is that piece of liking of adventure and uncertainty and kind of wild crazy ideas
 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
 13 of the initiative's intent (Burgelman, 1983a) and achievement of a level of
 performance in the external market. The corporation had resources to finance
 15 such initiatives at their experimentation process but further access to
 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.
2 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
4 machine*” unit and associated with high financial gains.

5 The passion of the venturing management in leading the CV1 initiative
6 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
8 determination to be successful forced the team formed around the initiative
9 to develop its own capabilities and social network within and outside the
10 organizational boundaries. The team developed sophisticated practices and
11 increased its efficiency in conducting minority equity investments, identifying
12 potential investors, and growing these ventures into successful IPOs. The
13 organizational charter of the initiative was crystallized and its members
14 perceived their team’s efficiency and performance as superior to other
15 initiatives.

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

19 in 2000 actually, there was a shift in [Corporation ALPHA]’s culture to be much more
20 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
22 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
24 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.
26 Huy (1999) argues that identification is one of the emotional dynamics that
27 can facilitate organizational change. The instrumental case supports this
28 proposition as enthusiasm, expressed through articulation and identification,
29 enhanced the strategy determination process of the initiative in question.
30 Manager A argues that between 1997 and 1999, other organizational
31 members also “*were excited by [the CV1 initiative], it was considered to be
32 fun and creative and fast moving and successful*” creating opportunities for
33 intraorganizational networking to support his initiative.

34 *Competition and Linkages with Other Initiatives*

35 The organizational charter of the CV1 initiative was progressively crystal-
36 lized, and the initiative increased its visibility to the top management and
37 gained further access to financial resources. Simultaneously, other
38 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
initiative's team, came to realize that their financial success had become the
5 object of envy. They were experiencing envy as hostility and resentment to
co-operation, as resistance, degrading of capabilities the CV1 initiative had
7 developed, and through competition and isolation:

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

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

15 I actually think success within a corporate can breed jealousy, and therefore breed
isolation. And it is not just ... it is anything if one business unit is particularly successful,
17 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
19 "wasn't invented here" type mentality. (Manager B)

21 The emergence of negative emotional dynamics is suggested by the
resentfulness of the Technology Office's employees to assist the CV1
23 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],
because if I help him and his businesses do well, he becomes personally rich and I don't',
31 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 CV1 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 CV1 initiative, rather than associating its activities with other initiatives and
8 increasing its complementarity. Interestingly, the initial intent of the CV1
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 CV1 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 CV1 initiative's actions. In turn, seeing their internal
16 selection not being efficient, the CV1 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 CV1 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 CV1
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 CV1 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 CV1
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 CV1 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.

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

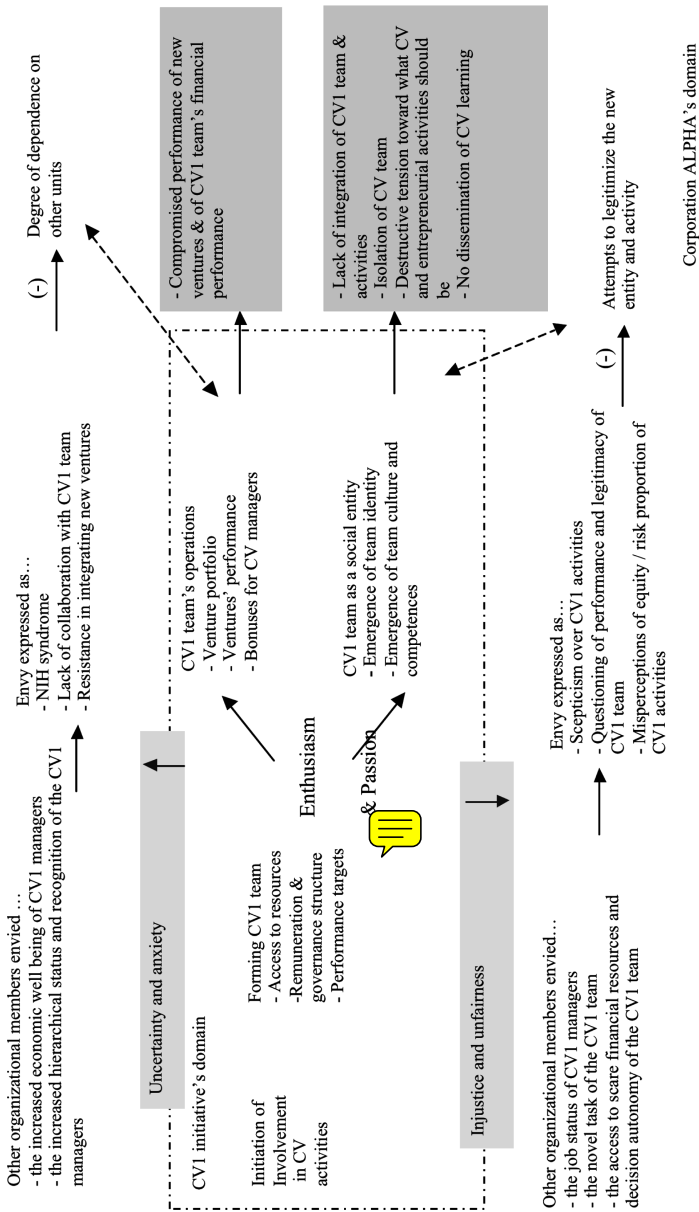


Fig. 1. Corporation ALPHA's Domain.

1 career progress (consequential logic), deriving from a strong self-belief in his
capabilities and skills to do so (Harper, 2003). These emotions were
3 expressed and exemplified as identification with the initiative and motivation
(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
initiative. The financial success of the initiative created euphoria among the
7 top management, who started also to identify and financially and politically
support the new initiative. The CV1 initiative gained attention and other
9 organizational members were enthusiastic to join its activities and become
members of it.

11 However, the emphasis of the top management team on the economic
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
intent for the CV1 initiative. While Burgelman (1991) emphasizes that the
15 effectiveness of the selection process of variations is on the correspondence of
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
selectors such as compatibility and fitness with other initiatives were absent.

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

35 On the other hand, the establishment of a distinctive remuneration system
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
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.

24 *Theoretical and Managerial Implications*

25
26 The chapter unfolded through an instrumental case the role emotional states
27 and resulting emotional dynamics have in the internal selection process of
28 autonomous initiatives. It focused on the prevalent but overlooked
29 emotional state of envy to examine how it emerges during and influences
30 the internal selection process of an initiative.

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

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
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.

AU :9

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

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

NOTES

1. The identity of the initiative, its parent corporation and of the interviewees remains confidential.

2. Corporate press release: July 6, 1999.

3. Corporate Press Release: March 22, 2000.

4. Annual Report, 2001.

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