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## 34 How contrasting emotions can enhance strategic agility

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### **Introduction**

In this chapter, I seek to nuance the predominantly negative view of emotion in the strategy literature by highlighting certain conditions under which emotion can enhance the organization's adaptive ability. A growing dynamic capability literature suggests that competitive advantage could accrue to organizations that develop routines that enable change rather than routines that maintain operational stability (e.g., Blyler & Coff, 2003; Helfat & Peteraf, 2003). Dynamic capability refers to 'the firm's ability to integrate, build and reconfigure internal and external competencies to address rapidly changing environments' (Teece et al., 1997, p. 516). Dynamic capability enables the firm to innovate and change its strategies to match or create environmental changes (Eisenhardt & Martin, 2000). The firm is likely to gain competitive advantage if it can realize adaptive change more reliably and rapidly and with less cost than its competitors (Zott, 2003).

At least two strategic processes contribute to dynamic capability: (i) the firm's ability to reduce the cost of strategic change (Greve, 1999); and (ii) organizational learning (Szulanski, 1996). Together, these processes enable strategic agility, which refers to the firm's ability to adapt to changing environments or to shape them.

I choose these strategic processes for four reasons. First, they are inherent to the definition of dynamic capability. Second, they have been argued by strategy scholars to enable sustainable superior performance (see Zott, 2003). Third, the link between emotion and these capabilities can be substantiated by recent advances in the literature. Fourth, these capabilities complement one another. Organizations can change dramatically and constantly in a chaotic and mindless way and thus accelerate their decline; organizational change could happen without organizational learning and creativity (Huy & Mintzberg, 2003).

Building on advances in research on emotion, organizational theory, and strategy process, I propose a prescriptive theory of how emotion management can enhance these strategic processes. I suggest illustrative organization-based emotion management routines (Winter, 2003) that facilitate the firm's strategic agility. These routines elicit *contrasting* emotions to prime three strategic processes: reducing the cost of strategic change and organizational learning. Focusing on the beneficial effects of both positive and negative emotions departs from previous research that tends to emphasize one type of emotions – positive or negative (e.g., Fredrickson, 1998; Huy, 1999). Before discussing how specific contrasting emotional states help strategic processes, I first discuss how patterns of emotions in organizations arise.

### **Patterns of emotions in organizations**

There are a number of mechanisms that help aggregate individual emotions into collectively shared emotions, or patterns of emotions (Bartel & Saavedra, 2000). First,

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emotions aroused by major organizational events are seldom felt only at the personal, idiosyncratic level. Faced with such events, a large number of employees in different work roles could feel similar emotions. Employees who share a common organizational culture tend to have similar beliefs, leading to similar appraisals and ways of feeling (Schein, 1992). Perceived threats (e.g., a hostile takeover) could increase the need for social affiliation, particularly among people who believe they are confronting the same situation (Gump & Kulick, 1997).

In a large organization, however, not every individual is likely to experience the same emotions when faced with an event (Weiss & Cropanzano, 1996). Members typically belong to different work groups, and these groups usually have different work roles, power, and privileges (Cyert & March, 1963 [1992]). As a result, the same organizational event might affect groups very differently and elicit very different patterns of emotions. Similar emotions are more likely to be experienced by individuals belonging to the same group than across groups.

Several mechanisms cause members of a group to feel similar emotions. First, group members who identify strongly with one another are more likely to feel each other's emotions than members who do not, for synchrony conveys empathy. The group's emotional charge amplifies through mutual interaction which promotes group cohesion (Hatfield et al., 1992). A group translates tendencies into collective expressions more easily than individuals acting alone, because group membership boosts people's feelings of power, making them bolder through anonymity (Barsade & Gibson, 1998).

In addition, emotional contagion can aggregate individual into group emotions (Maitlis & Ozcelik, 2004). Individuals deliberately or unconsciously respond to others' emotional displays by imitating and exaggerating them, because emotions can spread through unconscious or conscious processes or both. Unconscious emotional contagion occurs through a very fast process of automatic and synchronous nonverbal mimicry and feedback (Hatfield et al., 1992), a behavior posited to come from an innate human tendency toward mimicking the behavior of others (Wild et al., 2001). By contrast, conscious processes involve cognitive social comparison in which people compare their feelings with those of relevant others in their social environment and then respond according to what seems appropriate for the situation. The recipient uses the emotion as a type of social information to understand how he or she should be feeling (Sullins, 1991).

Once group members feel similar emotions toward specific organization events, these emotions influence the group's cognitive processes (Kelly & Barsade, 2001) and motivate collective action (Totterdell, 2000). Emotions that are shared by many group members may influence their cognition and behavior more than emotions felt by any single member (Jehn, 1997; Barsade, 2002). These patterns of emotions could potentially be managed in organization settings. This is discussed in the next section.

#### **Managing patterns of emotions in organizations**

Managing patterns of emotions in organizations refers to 'an organization's ability to acknowledge, recognize, monitor, discriminate, and attend to its members' emotions' (Huy, 1999, p. 325). Such ability is rooted in the aggregate ability of various organization members who cooperate with one another. Furthermore, whereas a person relies mainly on his/her own personal resources, including his/her own emotional competence to manage his/her and others' emotional states, emotion management in organizations can

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be practiced through organizational routines that attend to patterns of emotions, including contrasting emotional states. Routines refer to organization 'behavior that is learned, highly patterned, repetitious, or quasi repetitious, founded in part on tacit knowledge – and the specificity of objectives' (Winter, 2003, p. 991). Through routines related to feeling, organization members attempt to influence which patterns of emotional states members feel and how they collectively display these emotions to achieve shared organizational goals. Emotion management routines elicit patterns of specific emotional states, which prime distinct group cognitive processing and behavior.

Because the same event can elicit different patterns of emotions in various groups as explained above, emotion management in organizations cannot be mechanical and uniform, but must be adapted to the specific group and individual needs in their specific contexts. In a resource-constrained environment, it would seem counterproductive to elicit the same emotions among all employees at the same time without regard to their individual needs and task expectations. For example, some groups may already be promoting change, so it might be counterproductive to elicit more fear to incite them to change more. While research and development groups may need to experience specific emotions such as passion and enjoyment to stimulate their creative thinking and innovate rapidly, the same high creative need may be less urgent and important for maintenance crews in charge of operational stability (e.g., maintenance of nuclear power plants) who are expected to apply exacting security routines.<sup>1</sup> Such tailoring of emotion management likely enhances organization effectiveness (achievement of desirable organizational goals) and efficiency (optimal use of resources including time and money).

In addition, it seems unrealistic to expect all organization members to possess a wide range of technical, business, and personnel management skills and to display high emotional competence. More flexibility exists, however, at the organizational level, where many members pool their complementary competences to compensate for each other's limitations and achieve shared goals. Members who recognize the importance of emotion management in organizations but feel they do not possess all the necessary skills, energy, or time could cooperate with other members and hire outside professionals. Training, coaching, and mutual assistance in emotion management could help compensate in part for individuals' differences in ability to manage their own and others' emotions; such differences could arise from various factors, such as innate emotional competence and particular situations or stages of life (Bagozzi, 2003). As Huy's (2002) research shows, some members can elicit emotions related to change, while others elicit emotions related to continuity on members of a given work group, and in the aggregate help that group achieve beneficial outcomes.

This distributed emotional capability helps transcend the need for a large number of emotionally intelligent individuals in influential positions who might work at cross-purposes and apply their emotional skills to maximize their personal benefit (Jackall, 1988). Thus, emotional competence at organizational level may be more malleable and can be developed more easily and rapidly than that at the individual level. It remains unclear whether individual emotional intelligence can be improved significantly (Salovey et al., 2000). While a person may have to rely mainly on his/her personal or innate resources to manage his/her own and others' emotions, an organization can develop, refine, and diffuse its emotion-attending routines through regular training and monitoring practices that help members help each other to manage their own and others' emo-

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tional states. The higher the level of organizational attention and resources allocated to the development, diffusion, and refinement of emotion-attending routines over time, the greater the organization's emotional capability is likely to be.

In sum, emotion management in organizations can be developed collectively, enacted in a distributive manner, and can provide aggregative adaptive outcomes because of complementary competencies, interests, and resources. In contrast, emotion management at a personal level may be more difficult to develop and enact, in part because of less bountiful resources such as emotional competence, training, personal energy or time.

#### **How patterns of contrasting emotional states facilitate strategic processes**

I shall specify one positive discrete emotion and one negative emotion to illustrate how eliciting contrasting emotional states can facilitate a strategic process. However, I do not seek to argue that these specific states are the most or the only important emotions that can facilitate a given strategic process. In the concluding section, I shall suggest how future research can test the empirical validity of my propositions and propose other discrete emotions and strategic processes. As mentioned, very few studies have explored how both positive and negative discrete emotions can facilitate an organizational process, and probably no study has investigated in an integrative way the link between contrasting emotional states and the strategic processes that shape dynamic capability. More specifically, I discuss how (i) fear of organizational decline/death and pride in one's contribution to organizational success reduce the costs of strategic change; and (ii) how dissatisfaction with work unit performance and feeling safe in work interactions help organizational learning.

#### **Reducing the cost of strategic change**

The costs of strategic change include emotionally laden intraorganizational conflicts that represent important barriers to implementing changes to a firm's bundle of strategic assets (Amit & Schoemaker, 1993). Many firms seem able to change slowly and incrementally within their existing strategies, mindset, and routines (Quinn, 1980), but find it more difficult to adjust to rapidly shifting environments and to realize important changes to the firm's strategy, product markets, and organizing systems (Tushman & Romanelli, 1985). These kinds of contemplated changes are subject to the receptivity of organization members, that is, their willingness to consider, individually and collectively, the proposed changes to elements of the strategy and organizing system. Receptivity denotes an interpretative, attitudinal state (both cognitive and emotional) to accept the legitimacy of such proposals (Huy, 1999).

If the proposed change is perceived as affecting certain important aspects of self, this will trigger strong emotional responses, which affect how the change is construed and the nature of ensuing actions (Lazarus, 1991). For example, employees may be fearful that the proposed changes could disrupt familiar and 'proven' routines, personal privileges, or the company's norms and values with which they personally identify (Argyris, 1990).

Personal construct theory (Kelly, 1955) predicts that if a proposed change is perceived as contrary to esteemed values, individuals' negative emotions would be more intense than emotions aroused by a lack of cognitive understanding of the proposed change. Oppositional concepts are likely to elicit intense negative emotions such as anger or fear and lead employees to oppose the proposed changes (Festinger, 1957). This opposition

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could have different active manifestations, such as strikes and sabotage or could be passive, with withdrawal syndromes characteristic of learned helplessness (Seligman, 1975). Once negative feelings and mistrusting behavior take root, restoring a cooperative climate is likely to be long, and costly (Zand, 1972). Thus, receptivity to change influences the costs of change and embeds an emotional component that could be dealt with by skillful handling of emotions.

To the extent that the 'perceived' costs of change differ across firms at any given point in time, firms may reach different conclusions about the kind of change they could realistically attempt (Zott, 2003). Furthermore, even if a firm, through careful strategic analysis, were to know the ideal industry and position it should be in, it might still hesitate to carry out the desirable strategic changes if it perceived the cost to be too high from either a material or an emotional perspective (Burgelman, 1994). The fear of risky and costly change may lead firms to adopt different business practices or strategic positions that can influence their subsequent performance (Porter, 1991). As a result, the focal firm's ability to reduce the cost of strategic change enhances its flexibility to realize new strategic positions.<sup>2</sup> Firms with a lower cost of change than their competitors are likely to be more flexible in adapting to or creating new market changes and technologies. Receptivity to major change is necessary to increase the quality of organizational learning and creativity.

To reduce the high barriers of resistance to strategic change, the sources of fear cited above – for example, threats to personal interests – need to be set against other heretofore less salient sources in order to focus members' attention toward a more immediate and greater danger, the prospect of organization decline and death. This is akin to reminding the Romans to stop arguing among each other about who is to be the next emperor, because foreign invaders are burning the city. Research has shown that people often fail to recognize threats, often with disastrous consequences (Starbuck et al., 1978).

This failure probably occurs because threat cues do not initially penetrate easily into organization members' awareness (Jackson & Dutton, 1988, p. 385). As a result, by the time threats are recognized, they may in fact be serious. Alternatively, this could also imply that in order for fear of organization death/decline to mobilize on a sustainable basis, members must perceive the source of fear as credible and authentic. 'Manufacturing' a crisis to create a false sense of urgency and needless mobilization is likely to backfire in the long run and increase resistance to future changes if and when the manipulative intent is discovered.

### *Fear of organization decline and death*

Fear differs from more generalized anxiety in that it has a specific object (Öhman, 2000). Fear is a future-directed emotion, which helps people respond to existential threats by focusing their personal resources on the threat, to avoid unwanted dangers, and giving them the extra energy to act if required (LeDoux, 1995). The functional value of fear is not merely existential but also social: it keeps people aware of our social values and alerts us to the dangers related to what we cherish (Ben-Ze'ev, 2000). Thus, to the extent that people identify with their organization (Dutton et al., 1994), an existential threat to the organization could be experienced as an existential threat to self, therefore eliciting fear. Here, the concern is less with one's physical survival, rather with one's self-esteem, a person's material and emotional well-being shaped by one's social environment.

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Because most people tend to attach greater importance to events in the present than in the future, fear functions to amplify the effects of future threats and make them more salient in our present imagination. The impact of the future tends to appear less urgent and important because many people tend to be more preoccupied with the short term (Ben-Ze'ev, 2000). The intense and unpleasant experience of fear primes people to attend to the future.

In the context of strategic change, people often resist change because of fear of potential negative consequences or simply of the unknown. Strategic change not only causes a pervasive redistribution of resources and power, it also demands a 'paradigm shift' that challenges members' basic assumptions about the organization (Bartunek, 1984). The proposed change could be construed as an attack on both individual and organizational identity, thus triggering strong defense mechanisms such as fear and defensiveness (Schein, 1992).

Although fear could channel an individual's attention to the perceived threat, thereby reducing his/her cognitive resources devoted to other tasks, this individual-level outcome is less likely to be as dysfunctional in an organization with various groups sharing diverse roles and interests. For example, when Intel experienced serious performance decline, top management and various groups of middle managers had different interests and championed different solutions, debating these openly (Burgelman, 1994).

Research on threat rigidity (Staw et al., 1981) found that organization members cope with perceived 'threats' through means such as wishful thinking, passive resignation, or narrowed search when they expect loss and perceive a lack of control. In contrast, members perceive 'opportunities' in events in which they associate an expectation of gain and 'feelings of control' (Jackson & Dutton, 1988, p. 384). Such 'feelings' stem from a perceived autonomy about how to respond and freedom to choose whether to respond, access to resources and means for resolving the issue, and feelings of personal competence. Interpreting an issue as a 'threat' or an 'opportunity' has been found to lead to very different actions: compulsory versus voluntary behavior, or modest versus significant changes in company offerings. Thus, feelings of control under uncertainty discriminate differences in interpretations and subsequent strategic actions (Barr & Glynn, 2004).

It can be reasoned, then, that if members who experience fear also feel that they have the means to control and remove the source of fear if they choose to act on it, paralyzing fear (or flight) can be transformed into energizing fear (or fight). The fear of competition, bankruptcy, or losing can motivate organization members to work harder to reduce the odds of undesirable outcomes. The fear of organization death could help members become more vigilant to competitors and responsive to customer feedback, employee morale, or progress in product development (Grove, 1996). Fear prevented Intel managers from being complacent and sharpened the company's survival instincts. Starbuck et al. (1978) also found that companies on the verge of death may realize that they have little to lose by conducting bold experiments and, as a result, discover new solutions allowing renewed growth. When people are caught in a desperate situation, fear of embarrassment resulting from failure is significantly reduced, and ambitious change becomes possible (Flam, 1993).

To the extent that such fear is present, members should not deliberately intensify and prolong fear alone, as this has its side-effects. Fear risks being self-fulfilling as it could inhibit hope, that is, the belief that desirable events are unlikely to happen in the future

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(Ben-Ze'ev, 2000). Experiencing another, contrasting emotional state helps to remind members that they are able to improve their future and increase 'feelings of control' that are crucial to transforming a paralyzing perception of threat into an enabling perception of opportunity (Jackson & Dutton, 1988, p. 384). Under uncertainty, a track record is a good predictor of the future, and members could elicit pride in their contribution to organizational success by reminding themselves that they succeeded in the past and could do so again in the future.

### *Pride of contributing to organizational success*

Pride is pleasure aroused when a person believes that a positive outcome can be attributed to one's own specific actions (Weiner, 1985; Lewis, 2000). Whereas fear is elicited by evaluation of an unpleasant *future* situation, pride emerges from the positive evaluation of *past* actions. Pride is a self-conscious and retrospective emotion. It can also be experienced when things did not go well even though one tried very hard but still did not achieve one's set aspiration levels (Weiss et al., 1999). This happens because an emotion can be aroused for many reasons. Thus, one is not proud of failing, but is proud of one's persistence in the face of adversity. Therefore, the selected object of comparison for one's perceived achievements is important in eliciting pride (Ben-Ze'ev, 2000). Pride serves a social communicative function inasmuch as this emotion helps people to enhance their identity by taking credit for an achievement and their desire for others to adjust their opinions upward in accordance with the achievement. Other people's appraisals can enhance or validate our pride, and organization members can express these appraisals to one another.

Feeling pride after feeling fear of organizational decline/death can help reduce members' resistance to change and learn from feedback because many people in organizations fear receiving negative information about themselves (Ashford & Cummings, 1983). When they do, they may try to ignore the message, dismiss it as inaccurate, or attack the credibility of the source (Ilgen et al., 1979). By restoring feelings of control between deliberate actions and positive outcomes, people feel less helpless and defensive. As their self-esteem rises, members become more confident to experiment and learn from both negative and positive feedback (Peterson et al., 1993).

As Albert (1984) noted, a proposed change can be resisted not only because the future is unknown and feared, but because the past is underappreciated. In addition, organization members can be reticent about participating in new change initiatives, not because the latter or the change agents are intrinsically bad, but because members have become cynical about change. This translates into a loss of trust in the change agents and is a response to a history of change attempts that failed to meet members' expectations. To reduce such cynicism, change agents have to deal with the past, acknowledge mistakes, apologize, and make amends. Then, they can act in a way that demonstrates that employees can play a central role in the management of change, which will increase employees' self-esteem and pride.

Albert also suggested that organization members should present their proposed change in part as an addition to or expansion of existing values, which elicits pride.<sup>3</sup> However, to the extent that certain proud elements from the past organizational culture must be deleted, mourning may help ease the transition with rituals to mark the ending of values that are no longer appropriate, while extolling values that will be preserved. Change managers could, for example, set up mourning rituals to precede the closure of employees'

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cherished work sites. In Huy (2002), recipients of change were more sympathetic toward change managers because they felt that they had been treated with respect.

In summary, the fear of losing personal comfort or privileges in strategic change is directed onto another source – organizational decline/death that primes members who identify strongly with the organization to de-emphasize their personal interests. However, prolonged intense fear could elicit feelings of hopelessness, low self-esteem and self-confidence, and even shame in some employees. These dispositions, if prolonged, could further cause apathy, depression, and helplessness and, in the extreme, energize destructive actions of anger and rage against other members (Tangney, 1999).

Pride helps mitigate the extreme effects of fear. One way is to remind people that they do have some control over the situation and can make desirable events happen. Under uncertainty, the best predictor of the future is track record (Bower, 1970 [1986]). To the extent that people have achieved in the past, previous successes could be resurfaced to elicit pride and boost self-confidence. Open acknowledgment of members' successes, when done in a credible and authentic way, shows them that change agents are respectful, knowledgeable, and sensitive to their particular context, and this reduces members' mistrust and resistance to change.

In the long run, however, prolonged and excessive pride risks turning into hubris, complacency, and increased resistance to change. Alternating experiences of contrasting emotional states such as fear and pride could help reduce the extreme dysfunctional effects of each emotion and maintain organizational alertness and dynamic adaptation.

Individual differences are likely to moderate the influence of emotional states on members' behavior. For example, to the extent that leaving the company represents a viable option for some members, fear of organizational death is likely to lead them to abandon the 'sinking ship'. Exit, however, will not be an attractive option for members with high costs of leaving. These costs can include an inability to find alternative employment with equivalent benefits, loss of job security, or being tied to a geographical area. This type of commitment resulting from necessity has been referred to as 'continuance commitment' (Meyer & Allen, 1990) and is distinct from the commitment of members who stay despite exit options because they identify strongly with the organization (Dutton et al., 1994). Thus, for various reasons, members who stay with the organization are likely to reduce their resistance to strategic change because they believe that improved organization adaptation will also improve their material and/or emotional benefits.

*Proposition 1* Groups in which members feel alternating fear of organization decline/death and pride about their contribution to organizational success are likely to show less resistance to strategic change than groups in which members feel either emotional state alone. This outcome is likely to apply to members who remain with their group after feeling this kind of fear.

However, organizations are often reluctant to abandon their past competences completely until they have found viable alternatives to secure their future (Chandler, 1962 [1990]). This requires an organizational learning and creativity process to develop innovative and potentially competing offerings to provide the organization with a range of feasible options from which to select to chart its future strategic trajectory.



**Organizational learning**

In dynamic environments, two aspects of resource deployment may be crucial for dynamic capability: the speed with which new capabilities are integrated into a firm's existing knowledge base, and the frequency with which capabilities, once integrated into the firm, are reevaluated and realized (Eisenhardt & Tabrizi, 1995). Organizational learning deals with the tension between exploitation and exploration, and involves processes linking individual intuition to a group's interpretation of new ideas, development of shared understanding, taking collective action, and institutionalizing these actions as organizational routines (Crossan & Berdrow, 2003). Organizational learning often involves power and political activities such as influencing, forcing, dominating, and disciplining (see Lawrence et al., 2005) by groups who share diverse interests and values. To the extent that these political actions affect the relative power of individuals or groups within the organization, they could arouse strong emotions.

Organizational learning depends in part on members learning from experience and sharing this with one another. Innovation is by nature risky, and the odds of initial mistakes and failures are high (Kanter, 1983). Yet, an innovative product that failed on short-term economic measures could contribute to knowledge about the feasibility of a new technology or the attractiveness of a new market (Danneels, 2002). Knowledge gained from failed products has often been instrumental in achieving subsequent success (King and Tucci, 2002).

Unfortunately, an organization's culture or reward system may discourage sharing of learning from mistakes (Argyris, 1990). Fear of humiliation and sanctions not only deters potentially creative champions, but also makes their observing colleagues more risk averse and fearful of sharing full and honest narratives about their past failures and successes with others. Discomfort about real or imagined group pressures for conformity could lead to dysfunctional groupthink (Janis, 1972), especially when such discomfort is elicited in the context of extreme uncertainty about appropriate responses and the need to maintain good feelings with other group members (Turner et al., 1992). Open sharing of failures and in-depth learning from failed strategic attempts can be encouraged in a climate in which a wide range of honest feelings and thoughts could be expressed by all parties involved in the failed attempts without fear of penalty, embarrassment, or shame. Thus, the organizational learning process embeds an emotional component that could be dealt with using emotion management.

*Proposition 2* Reducing members' fear of sanctions, embarrassment, or humiliation related to learning increases the firm's ability to learn from its failed or underperforming strategic attempts and improves the odds of success of its subsequent attempts.

Research on employees' dissatisfaction with their job has found that those who remain with the organization out of necessity (continuance commitment) can still be proactive in their work and show high creativity, which implies a high learning ability, if they receive support from co-workers and the organization (Zhou & George, 2001). This leads me to explore more fully the relation between dissatisfaction and organization learning.

*Dissatisfaction with work unit performance*

Schein (1996, p. 29) noted that 'all forms of learning and change start with some form of dissatisfaction or frustration generated by data that disconfirm our expectations'. In

addition, more fundamental or double-loop learning that requires changes in underlying assumptions often starts by arousing uncomfortable emotions in recipients by disconfirming their prior beliefs and creating cognitive dissonance (Lewin, 1947). Unlike fear, dissatisfaction represents a mild form of anger or unhappiness that is aroused when people recognize that their important goals or aspiration levels are not or will not be met (Ortony et al., 1988). These aspiration levels could vary among organizations and are set according to a particular comparison group or set of benchmarks that an organization has chosen to be measured against at any point in time (Elsbach & Kramer, 1996).

Organization members' dissatisfaction with their work unit performance could inspire further assessment and learning (Schein, 1996) and motivate members to become more cautious, narrow their attentional focus, and put more effort into problem analysis and information acquisition (Schwarz, 1990). A person's own work unit performance is more likely to elicit his or her attention and emotion than the larger organization's performance because it is more within most members' realm of responsibility and action possibility, eliciting the strong 'feelings of control' I discussed earlier (Jackson & Dutton, 1988).

Negative feelings facilitate rejection of existing beliefs and a new reframing of the problem (Kaufmann & Vosburg, 1997). Cultivating dissatisfaction could prime members to be less optimistic in future outcomes and motivate them to work harder and be more alert to interim signals to learn and adjust (Parrott, 1993). Dissatisfaction caused by difficulties with a current plan promotes review and problem solving (Bagozzi et al., 1998) and is adaptive to the extent that it enables members to increase their efforts and to maintain an attitude of humility to reflect and learn from feedback, preventing members from pursuing unreflective and costly actions (Staw & Ross, 1987).

Alternatively, reluctance to elicit dissatisfaction could discourage group members from considering and expressing divergent opinions in problem-solving tasks. Tension and dissatisfaction motivate creative problem solving (Runco, 1994). Actively eliciting discomfort and acceptance of such discomfort during strategic debates could spur organizational learning. Eliciting such discomfort requires courage to express potentially unconventional or unpopular perspectives, to enter a debate one may lose, suffer embarrassment, and face social sanctions (Grove, 1996, p. 115).

Making organization members dissatisfied about their work unit performance alone, if prolonged, could cause pessimism or apathy. Beyond pride, people already subject to long periods of fear and dissatisfaction need to feel safe in interacting with other members in order to propose and debate new business ideas.

#### *Feeling safe in work interactions*

Feeling safe in work interactions refers to the emotional state relating to the belief in psychological safety at work (Edmondson, 1999) and, 'feeling able to show and employ one's self without fear of negative consequences to self-image, status, or career' (Kahn, 1990, p. 708).<sup>4</sup> Organization members are likely to feel safe when their work interactions reflect mutual respect of their and others' distinctive contributions and self-worth (Edmondson, 1999). Feeling safe allows organization members to explore novel or unpopular ideas free from excessive worry about the risks, in contrast to fear which tends to narrow people's thinking and actions (Öhman, 2000). A feeling of safety facilitates cognitive flexibility and problem solving because people who are calm are more likely to make associations among ideas and to see more complex relations than those in an agitated state (Isen, 2000). In

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work interactions, feeling secure causes members to be more relaxed, so that they can debate and explore ideas with less defensiveness. Individuals who feel safe in taking interpersonal risks tend to be more effective learners because they are more open to sharing and discussing each other's mistakes (Edmondson, 1999).

In sum, organizational learning sometimes needs to be initiated with dissatisfaction about work unit performance that is below organization members' aspirations or their key stakeholders' (e.g., customers) expectations. To be adaptive, this shared dissatisfaction needs to be directed into improving work elements that members feel they have control over, and thus can do something about. However, prolonged and heightened dissatisfaction can sap morale and reduce learning efforts. Experiencing a contrasting emotional state such as feeling safe allows members to openly share and learn from their mistakes, propose unpopular viewpoints, and challenge each other's perspectives, all of which facilitate organizational learning.

*Proposition 3* Groups in which members feel dissatisfaction about their work unit performance and safety in work interactions are likely to experience greater group learning than those where members feel either type of emotional state alone.

### **Summary of contributions and research implications**

The strategy literature has often treated emotion as fostering organizational inflexibility and inertia. I seek to nuance a predominantly negative view of emotion in the strategy literature by highlighting several conditions under which it can enhance the organization's dynamic capability. I propose a number of organization-based emotioneliciting actions that could help generate patterns of positive and negative discrete emotions that prime specific cognitive processing and collective action, facilitating the two strategic processes that contribute to strategic agility: reducing the cost of strategic change and organizational learning.

Although I discuss these emotion pairs separately for conceptual clarity, in practice various emotions could interact to facilitate one strategic process. I do not necessarily suggest that these specific emotional states represent the most or the only important emotions that facilitate a given strategic process. By articulating several illustrative links between micro emotions and macro strategic processes, I invite other organization and strategy scholars to help explore the various ways in which many patterns of discrete emotions could hinder or facilitate a variety of further strategic processes. Showing the interaction between emotion, cognition, and organizational action supplements a predominantly cognitive view of strategy (e.g., Porac et al., 1995; Zott, 2003).

I contribute to the strategy literature by proposing how emotion-eliciting actions can enhance the two dynamic capability processes that shape the firm's strategic agility. Patterned emotion-eliciting actions can shape strong emotional capabilities performed by members at all levels of the organization that, in turn, enhance the organization's overall dynamic capability to change, learn, and innovate. Very few studies have examined how both positive and negative emotions can benefit organizational adaptation. The present research departs from previous research on emotion management in organizations, which has often relied on broad categories of positive and negative emotions (Staw et al., 1994; Huy, 2002). A discrete emotion elicits distinct cognitive and action tendencies (Izard, 1993) and promises greater texture and predictive accuracy in our theorizing.

*Future research.*

The model linking emotion to strategic agility could open new avenues for research in the underexplored intersection of emotion management, organizational theory, and strategy process. I suggest that beyond self-reported questionnaires and lab experiments that have advanced our knowledge on emotion, the study of emotions at work can be enriched by a repertoire of measurement tools that complement each other. Emotion management in natural work settings and, more importantly, the organizational consequences of such actions, can be studied in a number of different ways – both objective and subjective. For instance, the level of organizational attention to the development of emotion management practices may be measured by the proportion of organizational resources allocated to emotion-attending routines such as budget, support groups, emotion training and monitoring.

In addition, the overt nature of emotion management actions lends itself more easily to outsider and peer observation and assessment (and thus to enhanced construct validity) via triangulation of private interviews, survey methods, company reports, and ethnographic research in natural settings, all of which allow researchers to validate and enrich participants' self-reports (see Huy, 2002). While I posit that certain actions are more likely to elicit the specified discrete emotion based on cognitive appraisal influenced by social-psychological assumptions, I have also discussed the risk that, depending on the context, various groups could appraise the same action differently and experience different emotions (Hochschild, 1979). Put differently, the effectiveness of each emotion-eliciting action can be assessed both by the desirable emotional state and by the resulting behavior that state is intended to prime.

**Notes**

1. This does not imply that these groups should not have some autonomy to deal with various contradicting situations and unpredictable events (Marcus, 1988).
2. The costs of change could include those relating to retraining and development of new competences, the compensation costs of abandoning existing assets and people, the potential costs to external image, declining morale and productivity during transition periods (Tushman & Romanelli, 1985), downsizing costs (Freeman & Cameron, 1993), and decline in innovation (Dougherty & Bowman, 1995).
3. In one case study of the merger between two large organizations with very different value systems (Huy & Ramina, 2002), managers organized formal sessions with employees from both organizations. Employees from each company group were asked first to articulate the traditional norms and values that they were proud of and would like to maintain and those they felt embarrassed by and would like to abandon. Then the results were shared with the other group. Employees discovered, much to their surprise, that the norms they were proud of and embarrassed by resembled very much those of the other group. A shared understanding between the two cultures was thus established about abandoning certain negative elements of each culture.
4. According to Elster's (1998) and Russel's (2003) definitions of emotions the emotional state of 'feeling safe' can be construed as psychobiological responses that link (i) belief of psychological safety about work relations, (ii) a core affect involving a modest level of pleasure, (iii) low physiological activation, and (iv) action tendencies of relaxed, less vigilant or mistrusting behavior. These characteristics make 'feeling safe' close to other emotional states such as 'calmness', 'serenity', or 'being relaxed' (see Seo et al., 2004, p. 426).

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