



# Emotions in strategic organization: Opportunities for impactful research

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Following the emergence of the behavioral movement in economics and finance, there have been mounting calls for strategy scholars to expand and deepen what is called the field of *behavioral strategy*, in which cognitive and social psychology will be merged with strategic management theory and practice (Powell et al., 2011). The goal is to bring realistic assumptions about human cognition, emotion, and social behavior to the strategic management of organizations and thus to enrich strategy theory, empirical research, and real-world practice. Thanks to advancing research in social psychology and neuroscience, there has been a resurgence of scholarly interest in connecting micro-psychological phenomena to strategic outcomes (e.g., Hodgkinson and Healey, 2011; Huy, 2011; Powell et al., 2011). Levinthal (2011) noted that many strategic management challenges involve ill-specified alternatives and coarse-grained representations of strategic issues with a high level of uncertainty and ambiguity. Dealing adequately with these issues escapes neat optimizing algorithms, which has been the focus of the literature on judgment and decision-making. One type of psychological phenomenon, human emotion, has barely been integrated into strategy research, although mushrooming research on emotion has shown that it can have a potent influence on cognition and behavior, especially under conditions of uncertainty and ambiguity (see Elnenbein, 2007).

This essay discusses how scholars in strategic organization can do future research to advance the field of behavioral strategy and, more specifically, how emotion can play an important role in this field. Indeed, affect-laden cognition has been part of strategic management research at least since the 1970s with influential concepts such as escalating commitment (Staw, 1976; Staw and Ross, 1987), strategic issues conceived as threats or opportunities (Jackson and Dutton, 1988; Staw et al., 1981), or top management hubris (Hayward and Hambrick, 1997; Hiller and Hambrick, 2005). How emotion plays a central role in influencing strategic processes started to be treated more explicitly at the periphery of the strategic management literature only about two decades later (e.g., Huy, 1999, 2002, 2005). One reason might be due to the growing legitimacy of emotion as a scientific phenomenon thanks to new technologies (e.g., the MRI scanner) that have given rise to neuroscience; neurologists have demonstrated the influence of emotions on individual-level thinking and behavior (e.g., Damasio, 1994). Moreover, emotion-based ability has been synthesized by the concept of emotional intelligence that has captured the imagination of many researchers and practitioners (Mayer and Salovey, 1997; Salovey and Mayer, 1990).

Although much has been learned about how emotion can powerfully influence individual cognition and behavior, one of the most challenging tasks for strategy scholars has been to show how individual-level emotions can explain collective, organization-level outcomes, which represent the central interest of strategy research: firm-level processes and performance. I will thus discuss two distinct but interrelated themes that deserve greater attention: the organizational contexts in which emotion likely matters to strategic outcomes; and how individual-level constructs such as emotion influence collective, organizational constructs.

## **Strategic contexts in which emotions likely matter**

Research on emotion has shown that people experience emotion when they appraise events (real or imagined) as potentially impacting (positively or negatively) their important goals or well-being; how people appraise the potential (or real) impact of these events, and how they would cope with these events, generate a variety of emotions, which in turn influence how people think and act (Ellsworth and Smith, 1988; Lazarus, 1991). As a result, many strategic contexts in which emotions likely arise, especially when experienced by large groups of people or by a few influential members such as top executives, can have important consequences for the firm's actions and outcomes.

### *Perceiving and managing emotions in large groups of people*

Many organizational events can elicit emotions among large groups of people. A variety of organizational change phenomena such as radical change (Bartunek, 1984), change in organizational identity (Corley and Gioia, 2004), mergers and acquisitions (Kusstascher and Cooper, 2005), strategic alliances or joint ventures, and downsizing (Fox and Amichai-Hamburger, 2001; Noer, 1993) are all examples of events that can cause large groups of individuals to experience similar emotions, or collective emotions. Although scholars have documented the (often harmful) effects of emotions, research that investigates how to manage these collective emotions, so as to reduce their harmful effects and increase their effects on desired strategic outcomes, still remains in its infancy. Not all types of strategic events cause the same emotions and similar coping mechanisms and behaviors, and a granular look into how different strategic events such as incremental versus radical change, organizational innovation, mergers and acquisitions, and strategic alliances cause different emotions among different groups of people, how these groups deal with their emotions, and resulting outcomes represents a vastly underexplored area for strategy research.

### *Perceiving and managing emotions in a small group*

We can also easily visualize how a small group of individuals, at the extreme one individual, can also influence important organizational outcomes. Building new organizations can represent a highly uncertain but consequential event for the welfare of a small group of founders and investors, and thus their emotions can significantly influence their entrepreneurial thinking and behavior (Baron, 2008; Cardon et al., 2009). Empirical research that investigates how different emotions influence different entrepreneurial behaviors and the development of nascent firms remains scarce. Furthermore, how these founders manage (or regulate) their own emotions, and how different regulation strategies influence firm development outcomes, have not attracted much systematic research, although one can intuitively visualize that the way in which founders deal with their feelings such as pain, disappointment, and frustration, or surprise that emerge during the firm

founding process should have consequences on the amount and quality of effort and resources they likely devote to their nascent organizations, and thus their life chances. Likewise, we can also visualize that the kinds of emotions that top executives experience as they consider major decisions such as investing important company resources in an uncertain product or geography, or how to respond to potentially damaging competitive actions such as severe price cutting, or being acquired by the competitor, likely influence the kinds of decisions they make.

As importantly, how members of the top team, individually or collectively, succeed (or fail) in regulating their emotions so as to achieve desirable (harmful) strategic outcomes has not received much empirical research attention. In particular, one can study the social emotional interactions among members of the top team and how these influence the quality of relationships that underpin the strategizing process and outcomes. Real-time observations of social interactions aided by video and audio recording can enable researchers to record live meetings and analyze emotional displays and content (see Liu and Maitlis, forthcoming), while private interviews can capture emotions felt (e.g., Huy, 2002). Investigating the degree of alignment between emotional displays and felt emotions, the sequence of emotional displays, and how various top team members manage these emotion-based interactions to influence others during the strategizing process, all represent examples of research that could provide novel and valuable insights into the field of strategic organization.

Having suggested some of the organizational contexts in which emotions likely matter to strategic outcomes, I now discuss strategy researchers' typical conceptual challenge when doing research linking emotion to strategy. This challenge is related to aggregation (or scaling) mechanisms, that is, the ways in which emotions (often construed at the individual, psychological level) influence collective phenomena.

### **Aggregation mechanisms: Scaling up emotions**

Based on my own evolving research and that of others, I will discuss the following scaling mechanisms: group-focus emotions that are linked to social identity; collective emotions; emotion-based routines and organizational emotional capability.

#### *From individual emotion to group-focus emotions and social identity*

Appraisal theories of emotion (Ellsworth and Scherer, 2003; Smith and Ellsworth, 1985) view emotions as arising when a person appraises an event as harming or helping her/his personal goals or well-being. But research has shown that people can also experience strong emotions when events do not directly affect themselves and those who are personally close to them such as their relatives and friends. People can also experience what scholars have called group-focus or group-level emotions, when, for example, they are joyful when their sports team wins or saddened by harm caused by natural disasters that do not directly affect themselves or their families (Smith et al., 2007). These scholars have shown that group-focus emotions predict collective behavior (e.g., ingroup support and outgroup confrontation) much more strongly than other individual emotions do. This likely occurs because perceived consensus within people's important groups helps define reality for them. In contrast, a person who experiences more particular, personal emotions may be uncertain that her/his emotions are based on valid perception or are socially appropriate. As a result, she/he may feel less confident in expressing and acting on those feelings, especially in ways that might be perceived as violating group norms (Hochschild, 1983). This person could privately experience internal psychological strain (Grandey, 2003), but the effect on collective

processes and outcomes is less clear. Just as belief consensus increases certainty, reduces anxiety, and motivates action (Milgram, 1992), interpreting that others likely share the same emotions related to the same causes increases one's propensity for action.

Group-focus emotions are linked to social identity. Experimental research has shown that mere consideration of a group with which one strongly identifies can elicit group-focus emotions, such as when an individual thinks of her or himself as a US citizen or as a Republican. Employees who identify strongly with their group (or firm) likely experience emotions that are similar to those of others in the organization when faced with events that impact their collective's identity or welfare (Dutton and Dukerich, 1991). People often see themselves as members of certain discrete categories. Each of these memberships is represented in an individual's mind as a social identity that both describes and prescribes what she/he should think and feel and how she/he should behave (Tajfel and Turner, 1979).

Group social identities are shaped by at least two underlying psychological processes: self-categorization and self-enhancement. Self-categorization minimizes ingroup differences and maximizes intergroup differences (Turner et al., 1987). Individuals become group members in that they think and act as embodiments of the relevant ingroup prototype rather than as unique individuals. Meanwhile, self-enhancement posits that people have a basic need to achieve and maintain a positive sense of self. Group members are strongly motivated to engage in collective self-enhancement by making comparisons on selective dimensions that favor the ingroup and disadvantage the outgroup (Hogg et al., 1995). Valuing group social identities can elicit positive emotions such as joy and pride; devaluing identities can arouse negative emotions such as anger and fear (Mackie et al., 2000). Processes related to self-categorization and self-enhancement enable people to transform their emotional experience of events into a powerful collective force (Haslam and Reicher, 2006).

Huy (2011) has thus shown how top executives of a large technology firm, by adopting an emotion-neutral, structure and task-focus to strategy implementation, activated hidden middle managers' organization-related social identities, such as length of time working for the company (newcomers vs veterans) and language spoken by senior executives (English vs French), generating group-focus emotions. These emotions led middle managers – even those elevated to powerful positions by top executives – to support or covertly dismiss a particular strategic initiative even when their immediate personal interests were not directly under threat.

Future research could investigate, for instance, how various group emotions emerge in various strategic contexts such as outsourcing, mergers and acquisitions, joint ventures, or strategic alliances; and the sources of these group-focus emotions including the variety of social identities that become salient in a particular strategic and organizational context.

### *Collective emotions*

Collective emotions refer to the composition of various shared emotions of the group's members (Barsade and Gibson, 1998). Collective emotions can reflect an emotionally homogeneous group: all members of the group experience the same emotion. But the composition of a collective emotion can also consist of sizable proportions of different shared emotions. For example 70% of members experiencing negative emotions and 30% experiencing positive emotions. Since a strategic event is unlikely to affect all work units in the same organization in the same way, the composition of collective emotions might be diverse in large organizations inhabited by groups with distinctive roles, values, and interests (Cyert and March, 1992 [1963]). Collective emotions have been shown to influence a variety of group outcomes (Van Zomeren et al., 2004).

Collective emotions can emerge due to different causes: first, similar interpretations, experiences, identities, or organizational culture (Mackie et al., 2000). Faced with an important event (e.g., announcement of a new strategic direction), employees can experience emotions similar to one another if they have similar interpretations about the causes or consequences of the event. Second, similar to the social identity mechanism, employees who strongly identify themselves with their companies are likely to experience emotions similar to one another when faced with events that they construe as benefiting or harming their firm's collective identity and interest. Third, organizational culture represents another subtle yet powerful form of cognitive and affective control that guides the emotions of employees and contributes to shared emotional experiences (Van Maanen and Kunda, 1989). Fourth, emotional contagion represents another mechanism through which emotions spread from one employee to the next, often occurring automatically without conscious knowledge to produce shared emotions (Barsade, 2002). People tend to have an innate human propensity to adopt the emotional experiences of those around them (Neumann and Strack, 2000). Even unintentional changes in facial and other muscles can lead to similar emotional states in perceivers.

### *Emotion-based organizational routines and emotional capability*

Individual emotions can also become collective and organizational through the enactment of what is called organizational emotional capability, which refers to the organizational ability to recognize, monitor, discriminate, and attend to emotions of employees at both the individual and the collective levels (Huy, 1999, 2005). This ability is built into the organization's routines, which reflect the collective knowledge and skills to manage the emotions of its members when needed to realize desirable organizational outcomes. Emotional capability theory posits that organizations that develop procedures related to emotion management and that provide systematic training on this subject to various managers likely reduce the need to rely on the innate competence of individuals' emotional intelligence and their individual dispositions.

In the context of strategic change, Huy (1999, 2005) has described various emotion management routines that constitute an organization's emotional capability: the experiencing, reconciliation, identification, encouragement, display of freedom, and playfulness that express or elicit specific positive emotions during strategic change. These actions are called *emotional dynamics* and are posited to influence three important processes of strategic change – receptivity, collective mobilization, and organizational learning – as feedback mechanisms linking receptivity to mobilization. These emotional dynamics have been described elsewhere (e.g., Huy, 1999, 2010) and rely on expressing or eliciting emotions such as empathy and sympathy, hope, fun, or love to foster various organizational processes such as receptivity to change, mobilization for change, and learning for change.

There is still a short supply of empirical research on emotional capability, including qualitative field research (e.g., Huy, 2002; Lilius et al., 2011) and quantitative research (Akgün et al., 2009). Future research could investigate, for example, how various organizational routines related to emotional capability are developed and refined over time; what are the factors that enable and constrain the performance of these emotion-based routines? What are the various organizational outcomes that are linked to the performance of these routines, as well as the associated moderating and mediating factors in various strategic contexts such as mergers and acquisitions or organizational innovation; or in diverse organizational contexts characterized by centralized vs distributed control, for example? As well, the roles of various organizational actors – including top and middle managers – in perceiving and managing their own as well as

others' emotions, and developing emotional capability, remain to be investigated more thoroughly. Factors that enable and constrain these actors to perceive and manage the collective emotions in organizational contexts when dealing with various strategic events also represent fruitful areas for research.

## **Conclusion: Vast and exciting research opportunities in behavioral strategy**

It should be clear to the reader by now that there remains much to be done in research – both theory development and testing – linking emotion to strategy, and thus vast opportunities exist for scholars aspiring to make an important contribution in the emerging subfield of behavioral strategy. In particular, much research can be done with respect to perceiving and managing emotions in various strategic and organizational contexts.

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