Received: 12 May 2017 | Revised and accepted: 4 October 2018 | Published on: 31 October 2018
DOI: 10.1002/smj.2971

WILEY STRATEGIC MANAGEMENT JOURNAL

RESEARCH ARTICLE

Exploring the affective underpinnings of dynamic managerial capabilities: How managers' emotion regulation behaviors mobilize resources for their firms

Quy Huy[1] | Christoph Zott[2]

[1]Strategy, INSEAD, Fontainebleau, France
[2]Entrepreneurship, IESE, Barcelona, Spain

Correspondence
Christoph Zott, Entrepreneurship, IESE, Barcelona, Spain.
Email: CZott@iese.edu

Funding information
Ministry of Science and Innovation of Spain, Grant/Award Numbers: ECO 2009-12852ECO2012-38131, ECO2012-38131, ECO 2009-12852

Research Summary: Our inductive field study identifies specific emotion regulation (ER) actions as affective underpinnings of dynamic managerial capabilities. ER refers to the management and modification of one's own and other people's emotions for a specific purpose. Our study shows how differences in managers' attention to ER influence the extent to which they can mobilize resources to pursue market opportunities. We show how their ER of the self helps them mobilize human capital resources by creating psychic benefits, whereas their ER of others helps mobilize social capital by facilitating legitimacy judgments. Our emerging theory explains how the capacity for ER constitutes an important foundation of dynamic managerial capabilities and how it is linked with other key conceptual underpinnings of the construct, namely managerial human and social capital.

Managerial Summary: Strategic change processes can be full of ups and downs and have been likened to an emotional roller coaster. In this context, senior managers do not only to have to cope with their own emotions to deal with challenging situations; they also have to pay attention to the emotions of other stakeholders such as employees and investors to maintain or gain these stakeholders' support. Our field study identifies and explains the systematic behaviors that senior managers can use in strategic change contexts to regulate their own emotions as well as those of other stakeholders in order to productively address and overcome difficult business conditions.

KEYWORDS
dynamic managerial capabilities, emotion regulation, entrepreneurship, resource mobilization, strategic change

1 | INTRODUCTION

Scholarly interest has shifted from examining the characteristics of firms' resources as a source of competitive advantage (Amit & Schoemaker, 1993) to understanding the managerial actions through which firms configure, orchestrate, manage, and transform their resources (Adner & Helfat, 2003; Helfat & Martin, 2015). Indeed, there had been "minimal theory explaining 'how' managers/firms transform resources to create value" (Sirmon, Hitt, & Ireland, 2007, p. 273). To address this question, Adner and Helfat (2003) introduced the concept of dynamic managerial capabilities, defined as "capabilities with which managers build, integrate, and reconfigure organizational resources and competences" (p. 1012). Their construct highlights the role of managers in creating a resource-based advantage under conditions of strategic change (Eisenhardt & Martin, 2000; Teece, Pisano, & Shuen, 1997). As Helfat and Martin (2015, p. 1282) explain, "the dynamic managerial capabilities concept provides a singular focus on *managerial impact* on strategic change."

One of the core psychological underpinnings of dynamic managerial capabilities involves managerial cognition (Adner & Helfat, 2003; Helfat & Peteraf, 2015). Researchers have addressed various aspects of managerial cognition (see Helfat & Martin, 2015, for a review), such as mental models and knowledge structures (Eggers & Kaplan, 2013; Walsh, 1995), or mental processes and cognitive capabilities (Helfat & Peteraf, 2015). Less is known about emotion-related processes and their importance for dynamic managerial capabilities, however, a domain that merits further study in the light of increasing evidence that emotions influence cognition and behaviors in important ways (Elfenbein, 2007).

A central emotion-related managerial behavior is the way managers deal with emotions elicited by strategic events and concerns, that is, how they regulate their own emotions and those of other stakeholders. Emotion regulation (ER) refers to actions and behaviors aimed at maintaining or modifying emotional states (Gross & John, 2003). Our study seeks to explore the ways in which managers involved in strategic change actively regulate emotions—their own and others'—and whether these represent an important psychological underpinning of dynamic managerial capabilities. More specifically, we explore whether and how ER helps gather new resources or make better use of existing resources—a process we call resource mobilization. We ask the following research question: Do managers in the pursuit of strategic change regulate their own and other people's emotions and, if so, what ER behaviors are more effective in mobilizing resources and why?

Our empirical context—entrepreneurship—offers several advantages for examining the role of ER for dynamic managerial capabilities. First, "the concept of dynamic managerial capabilities … relates directly to entrepreneurship" (Helfat & Martin, 2015, p. 1284). Entrepreneurs—whether in existing firms or nascent ventures—bring about strategic change by creating markets and orchestrating resources (Teece, 2012). They sense and seize opportunities and reconfigure resources (Teece, 2007) and thereby potentially impact strategic change and firm performance (Helfat & Peteraf, 2015). Entrepreneurs may thus possess valuable dynamic managerial capabilities. Second, the entrepreneurship context is replete with heightened emotions, hence ideal for addressing questions about affective underpinnings (e.g., Baron, 2008; Blatt, 2009).

According to Helfat and Martin (2015), a dynamic managerial capability has an intended purpose and is supported by patterns of behavior and activities. In this study we focus on one intended purpose of resource mobilization—namely, seizing business opportunities—and analyze patterns of entrepreneurs' ER behaviors. Since we know little about whether and how entrepreneurs regulate emotions during the protracted phase of building a new firm (Jennings, Edwards, Jennings, & Delbridge, 2015), we adopted an inductive, longitudinal research design. Using the case replication method (Eisenhardt, 1989), we studied the ER behaviors of the founders of six firms over a period of 7 years.

Our empirical analyses reveal a set of patterned ER behaviors that differentiate between managers who display high conscious attention to ER from those who pay only modest attention to it. We show how these behaviors help managers to mobilize resources for building their firms. More specifically, we identify specific ER of the self (ERS) behaviors that drive continued discretionary effort, that is, applying their personal knowledge, skills, and experience in the pursuit of business opportunities. Building on Adner and Helfat (2003), we conceptualize this outcome as *mobilization of managerial human capital*. In addition, we identify specific types of ER of others (ERO)—that is, ER of other stakeholders such as investors and employees—that help managers obtain their discretionary support, conceptualized as the *mobilization of managerial social capital* (Adner & Helfat, 2003).

Interestingly, our data reveal a dynamic relationship between these building blocks of dynamic managerial capabilities, as well as two distinct mechanisms through which ER behaviors foster resource mobilization. First, managers' ERS leads to mobilization of managerial human capital by creating psychic benefits for themselves. Conversely, their ERO leads to mobilization of managerial social capital mainly by eliciting favorable legitimacy judgments from stakeholders (Suchman, 1995; Tost, 2011). Our data suggest that managers' ERS and ERO behaviors are independent and distinct at the micro (individual) level and yet dynamically interrelated at the macro (firm) level.

To the best of our knowledge, our research is one of the rare longitudinal field studies on dynamic managerial capabilities to examine managers' ER behaviors and makes three important contributions to the literature. First, we explain how the capacity for ER constitutes an important affective underpinning of dynamic managerial capabilities, thus enriching understanding of the concept and complementing research that has focused on managerial cognitive capabilities such as perception, attention, reasoning, or problem-solving (e.g., Helfat & Peteraf, 2015). We add an emotion perspective to the dynamic managerial capabilities literature to complement the prevailing interpretation of managerial cognition as mental models and activities (Adner & Helfat, 2003; Helfat & Martin, 2015; Helfat & Peteraf, 2015).

Second, by adopting an agentic perspective we identify various new types of managers' ER behaviors that can be useful in a context of strategic change. Our study thus provides a deep, fine-grained understanding of the affective underpinning of dynamic managerial capabilities in such a context. Departing from the traditional focus on psychological traits such as personality or states such as fleeting emotions, we analyze patterns of ER *behaviors*, and explain how and why they help managers boost the odds of human and social capital mobilization for seizing new business opportunities. By linking ER behaviors, managerial human, and social capital in one model our paper addresses underresearched yet important areas in the dynamic capabilities literature: The dearth of empirical studies that explore the multiple social psychological underpinnings of dynamic managerial capabilities, and the scarcity of studies that explore their interactions (Helfat & Martin, 2015).

Third, our study reveals the precise mechanisms that explain how managers' ERS and ERO impact strategic resource mobilization. We show how managerial behaviors, psychological mechanisms and firm-level outcomes are interrelated, thus illuminating a poorly understood topic in strategic management: How micro emotional factors influence macro firm-level outcomes under conditions of strategic change (Ashkanasy, Humphrey, & Huy, 2017; Helfat & Martin, 2015). In doing so, our study is among the first to expose an emotion-grounded empirical model of dynamic managerial capabilities.

1.1 | Dynamic managerial capabilities and their building blocks

Helfat et al. (2007, p. 30) argue that "there is an inextricable link between dynamic capabilities and the organizational and managerial processes that underpin them" and that "managerial and organizational processes are part of the functioning of dynamic capabilities." Researchers affirm the pivotal role of managers in these processes (Adner & Helfat, 2003; Helfat & Peteraf, 2015; Kor & Mesko, 2013). Teece (2007, p. 1334), for example, acknowledges that managers "can be a very important source of superior performance."

Focusing on *managerial impact* on strategic change, Adner and Helfat (2003) introduced the concept of dynamic managerial capabilities, defined them as "the capabilities with which managers build, integrate, and reconfigure organizational resources and competences" (p. 1012). Capability refers to "the capacity to perform a particular activity in a reliable and at least minimally satisfactory manner" (Helfat & Winter, 2011, p. 1244). Dynamic managerial capabilities thus refer to patterns of managerial behaviors that are needed to create and support a resource-based advantage. This concept is closely related to how entrepreneurial managers think, feel, and act; it could even be construed as the juxtaposition of the entrepreneurial and administrative functions of the manager.[1] The construct rests on three conceptual social psychological underpinnings: managerial cognition, human capital, and social capital (Adner & Helfat, 2003).

Scholars have focused on aspects of managerial cognition such as mental models (Adner & Helfat, 2003), attention and reasoning (Helfat & Peteraf, 2015), or dominant logic (Kor & Mesko, 2013). Helfat and Martin (2015) reviewed this literature and consider numerous other cognition-related constructs yet affirm that researchers have largely overlooked emotions and ER. Research in the subfield of behavioral strategy, however, suggests that this may be a significant oversight (Hodgkinson & Healey, 2011; Zollo & Verona, 2011). Managers' thinking and behavior are subject to cognition as well as affect (Barsade, Ward, Turner, & Sonnenfeld, 2000), yet few researchers have explored whether the underpinnings of dynamic managerial capabilities might also include ER.[2]

The concept of ER is also absent from the related literature on resource management, according to which managers structure, leverage, and bundle resources to exploit market opportunities (Sirmon et al., 2007). Sirmon, Hitt, Ireland, and Gilbert (2011) have integrated asset orchestration processes (such as search, selection, configuration, and deployment) with resource management processes to develop a holistic framework of "resource orchestration," yet without specifying the role that managerial emotion-related behaviors or processes could play in that framework. We address this oversight

[1] We would like to thank an anonymous reviewer for this insight.

[2] ER could be construed as a specific form of motivation. Motivation refers to a more general concept that does not make any specific claim about whether emotion is implicated or not. One can motivate others with incentives that are perceived as largely non-emotional, such as economic benefits. Empirical research on emotion regulation emerged later than research on motivating (see Kaplan, Cortina, Ruark, LaPort, and Nivolaides (2014) for a literature review of emotion regulation). In this paper, we adopt an agentic and social-interactional perspective on emotion and focus on the various behaviors related to emotion regulation. We do not make any attempt to identify the enablers of these behaviors—such as personality, leadership style, innate emotional intelligence, or general emotionality.

by focusing on resource mobilization as a major form of resource-orchestration, and by asking whether and how that process is related to entrepreneurial managers' ability to regulate emotions.

1.2 | Emotion regulation among entrepreneurial managers

Entrepreneurship—whether deployed in existing firms or in nascent ventures—can be construed as a context of strategic change involving the pursuit of opportunities and associated goals and desires, which in turn may spur intense emotions (e.g., Baron, 2008; Blatt, 2009). Emotions refer to feeling states with an identified cause or target (Elfenbein, 2007).[3] Lazarus (1991) suggests that we experience emotions when we have a stake in the outcome of an encounter between ourselves and our environment: Emotion is elicited depending on what is important to us, reflected in our goals and concerns. ER refers to the efforts people make to deal with their emotions, be it for their well-being or to achieve a specific goal (Gross, 1998, 2015).

1.2.1 | ER in strategic change and entrepreneurship contexts

Beyond speculative theorizing, empirical research on managers' ER and its effects on organizational outcomes in strategic change contexts remains relatively scarce. In a study of a large information technology company undergoing strategic change, Huy (2002) observed how middle managers regulated their personal emotional commitment to strategic change and regulated the emotions of change recipients to foster organizational continuity; it was this emotional balancing behavior that enabled adaptive learning during strategic change. Yet few empirical studies have examined how narrow forms of ERO—such as entrepreneurs' emotional displays—enable outcomes such as raising funds from angel investors (Cardon, Sudek, and Mitteness (2009) or entrepreneurial initiative-taking by employees (Brundin, Patzelt, & Shepherd, 2008). Moreover, the findings are often inconclusive. Baron and Markman (2003), for example, found that emotional expressiveness helped explain entrepreneurs' financial success in one subsample of firms (high tech) but not another (cosmetics).

Consequently, we know little about whether and how entrepreneurial managers—especially for the purpose of seizing business opportunities—seek to influence (their own and others') emotions in patterned ways, and whether they are able to perform this activity "in a reliable and at least minimally satisfactory manner" (Helfat & Winter, 2011, p. 1244). Entrepreneurial passion is considered an important precursor for opportunity seizing because of its influence on goal-related cognition (Cardon et al., 2009; Collewaert, Anseel, Crommerlinck, De Beuckelaer, & Vermeire, 2016). Passion is associated with entrepreneurs' "make-do" behaviors and enhanced venture survival (Stenholm & Renko, 2016). Drawing on self-regulation theories, Gielnik, Spitzmuller, Schmitt, Klemann, and Frese (2015) find empirical support for associating passion with entrepreneurial effort. However, in their study of entrepreneurs' business plan presentations, Chen, Yao, and Kotha (2009) found that founder (cognitive) preparedness, not passion, positively impacted venture capitalists' funding decisions. Therefore, empirical research has yet to examine whether and how entrepreneurial managers actively engage in ER behaviors, especially in field settings and over prolonged periods of time.

1.2.2 | Types of ER behavior

Emotion scholars distinguish among various generic types of emotional self-regulation, or ERS (see Schutte, Manes, & Malouff, 2009 for a review; see Appendix S1, Supporting Information[4]). Broadly,

[3]Emotion scholars still debate what is an emotion or what are borderline emotions. In this study, we take a broad view of emotions to include responses with affective tones such as frustration, satisfaction, interest, surprise, or drive.

[4]Appendices S1 and S2 can be found in the online supplement to this article.

managers can regulate emotions *before* the emotion fully arises within them by actively doing something to alter the relationship between person and environment. Managers may, for example, change the way they think about things (reappraisal) to help them feel the desired emotion. They may also regulate emotions *after* they emerge, such as blocking an emotion that they do not want to have or resolving problems that would exacerbate an undesired emotion (Schutte et al., 2009). Yet precise explanations of such generic ERS behaviors with regard to the context of strategic change and entrepreneurship are lacking.

The affect-based sub stream of the leadership literature (e.g., Humphrey, Pollack, & Hawver, 2008) may offer some insight into the ERO, or so-called "emotion management". Leader's emotion management has been defined as "the processes and behaviors involved in assisting employees in regulating their emotional experiences so as to facilitate the attainment of organizational objectives" (Kaplan et al., 2014, p. 566). These can be intentional or unintentional. Synthesizing the literature on leader emotion management, Kaplan et al. (2014) identified eight types of ERO. For example, "ERO type 1" (see Appendix S2) refers to interacting and communicating in an interpersonally tactful manner, as disrespectful treatment has been shown to be one of the most significant causes of negative emotions, such as shame or anger, that foster employees' counterproductive behavior.[5]

Empirical research in this area is scarce, however. As Kaplan et al. (2014, p. 577) concluded from their in-depth review of the literature, most studies of leader emotion management "have been rather general and nonspecific in delineating the specific processes and behaviors that constitute emotion management and also in terms of … resultant outcomes." Hence, our research question: Do managers in the pursuit of strategic change regulate their own and other people's emotions and, if so, what ER behaviors are more or less effective for mobilizing resources, and why?

2 | METHODS

2.1 | Sample selection, data collection, and coding

To investigate managers' ER actions and how they influence resource mobilization outcomes, we followed Eisenhardt's (1989, p. 537) recommendation for a theoretical sampling approach involving between 4 and 10 "extreme" cases, where the focal phenomenon is "transparently observable." As mentioned earlier, entrepreneurship provides a promising context for finding such cases. To identify entrepreneurs who had recently launched new firms or were in the process of creating them, we searched a business school's database of alumni who had become involved in entrepreneurial firms in the U.K. after graduation. The first list contained 230 people. We looked for entrepreneurs who: (a) had launched a company within the past 18 months or were planning to do so in the next 6 months in order to avoid sampling based on outcomes (e.g., survival); and (b) had their headquarters in the Greater London area in order to minimize sample variations due to environmental factors (e.g., the sociopolitical context, business climate). Our initial screening process produced 26 firms. This sample of nascent firms seemed largely unbiased in terms of organizational performance and industry

[5]From a theoretical perspective, ERS and ERO could be linked to a shared deeper mechanism. The ability to regulate self and others' emotions represents the highest sub-ability of emotional intelligence (EI) (Joseph & Newman, 2010). This emotional regulating ability assumes that one possesses already other EI sub-abilities such as a) perceiving emotions, b) distinguishing among diverse emotions, and c) understanding the causes and consequences of emotions. Obviously, these sub-abilities of EI vary among individuals. As a result, people who have low abilities in perceiving, distinguishing, and understanding emotions are likely to have a low ability in emotion regulation because they do not have the basic underlying skills (Joseph & Newman, 2010).

TABLE 1 Cases and interviews by case

Case	Business description	Founder interviews	Interviews with others[6]	Total interviews
BUDGET	Formed in September 2001 to operate high-quality limited service hotels. Develops sites for new hotels in partnership with financiers and manages the operations of the newly built motels under well-known brands.	5	11 (co-founder, 2 senior executives, 2 middle managers, lawyer, chairman of the board, investor)	16
DRINK	Founded in September 2002 to build a whiskey distillery. At the same time, produces and markets a range of innovative white spirits.	5	8 (2 co-founders, 2 employees, former chairman of the board, current chairman)	13
CONSULT	Founded in may 2000 to provide IT-supported consulting services to large and mid-size companies. Specializes in procurement (e.g., outsourcing) solutions, but also offers recruiting services.	5	5 (co-founder, 2 employees, 2 investors)	10
INCUBATE	Founded in December 2000. Originally conceived as an incubator; changed business model to acquiring and combining ailing online retail businesses.	4	2 (co-founder, wife)	6
INVEST	Provides financial services and specialist financing for European, early-stage, high-tech companies. After several years of operation, had to wind down and restart in 2002.	5	3 (2 senior executives, former investor and board member)	8
TECH	Founded in December 1999 to develop wireless telephony solutions for offices and factories.	5	8 (co-founder, former chairman of board, senior executive, middle manager, wife)	13
Total		29	37	66

affiliation. Moreover, we had no reason to assume that founders' ER would be contingent on specific industries.

Beginning in February 2002, we conducted face-to-face interviews, mostly at work sites to build personal rapport, with each of the 26 entrepreneurs. Most entrepreneurs reported emotionally intense situations. However, there were stark differences in the way they described consciously their emotional experiences: Some shared richly textured accounts of emotional situations and how they dealt with them, whereas others were very terse—even when describing highly emotional situations like the firing of a partner. This helped us select six firms described in Table 1. We chose three firms where key managers (founders) reported a high rate of conscious, deliberate ER actions and three more in which managers reported few instances of ER; this constituted our key sampling principle.[7] In other words, we constructed our sample around variance in managerial ER behaviors and then analyzed the potential consequences of such variation.

Table 1 gives a brief description of the six firms, including year and month of creation (between December 1999 and September 2002), their intended offering, and the number of interviews we conducted between 2002 and 2009. During interviews that lasted between one and 2 hr, we used a semi-structured interview format to ask open-ended questions. We prompted managers to describe concrete

[6]Others include co-founders. The interview count in each cell of this column might be greater than the total number of stakeholders because some stakeholders provided more than one interview.

[7]Where there were several co-founders in the firm, we selected the "lead" co-founder, that is, the individual who held an overseeing executive role in the company, akin to the CEO function. In these cases, other co-founders had a more subordinate executive function and were responsible for one or several operational functions, for example, marketing and sales in a particular customer segment, information technology, finance, and accounting.

events, facts or examples, rather than giving general opinions, to reduce the risk of cognitive bias and impression management (Huber & Power, 1985). Typical emotion-related questions were: "Tell us about emotionally high and low moments? How did you deal with them? What consequences did this have on your own thinking and actions, and those of the people with whom you interacted?"

All of the founders in our sample were in the same age bracket (28–34), had similar GMAT scores (680–740), and spoke at least three languages as part of the demanding requirements of business school admission. In other words, compared with the general population, the group of MBAs from which we drew our sample firms seems relatively homogeneous with regard to educational achievement and work experience. We started our data collection with a broad set of questions to help us explore what entrepreneurial managers in strategic change contexts think, feel, and do, then focused on ER behaviors and their role in seizing business opportunities.

To triangulate managers' reports of their ER actions, we also interviewed (once) a variety of firm stakeholders, including direct reports, board members, and key investors, to elaborate and validate the managers' accounts (see Table 1, column 4). Examples of emotion-related questions included: "Describe specific instances in which founders felt emotionally positive or negative. How did founders deal with their emotions?" Interviews with third parties lasted about an hour.[8] All interviews with managers and stakeholders were recorded and transcribed.

We acknowledged a risk of potential bias if we were to rely solely on managers' self-reports and took steps to mitigate it. First, we interviewed stakeholders who had interacted closely with the managers over many years (Huber & Power, 1985). We triangulated their accounts and assessment with ours, to ensure that our respective interpretations were compatible. Second, we used free reports, which yield high levels of retrospective accuracy (Miller, Cardinal, & Glick, 1997). The events and emotions reported were often enduring and could be reliably reproduced from memory, as opposed to less consequential emotional episodes that were forgotten quickly (Robinson & Clore, 2002). Third, we interviewed these managers five times over 7 years; there seemed little plausible reason for them to engage in repeated inauthentic impression management as we guaranteed confidentiality and anonymity and formed a trusting relationship. Entrepreneurial founders likely felt confident of their competences and actions, and under anonymity, likely felt a low need to self-monitor or engage in impression management (Huber & Power, 1985). Moreover, regular interviews reduced recall problems and ex-post rationalization biases and validated the consistency of accounts over time.

2.2 | Research design and data analysis

As mentioned above, in contrast to other inductive research designs that sample cases based on variations in outcome and then seek the causes of those variations (e.g., Brown & Eisenhardt, 1997), we used a subset of firms based on high variation in the "independent variable" (i.e., differences in ER actions), then identified associated outcomes. This is consistent with prior published qualitative research designs (Delgado-García & De La Fuente-Sabaté, 2010; Huy, 2002, 2011). We used the case replication method whereby cases serve as independent experiments that either confirm or reject emerging insights (Eisenhardt, 1989). We made a distinction between ERS and ERO based on the

[8]We identified stakeholders' reporting of founders' observable ER behaviors associated with the specificity of their context and the motives they attributed to the founders' actions. The repetitive patterns of these ER actions and attributed motives are consistent with the literature on ER and also with the founders' self-reports. They support the plausibility of our findings. Many stakeholders had repeated interactions with the focal founders and thus were well informed to make grounded inferences about the motives of the founders in performing ER. Quantitative as well as qualitative empirical studies (e.g., Grandey, 2000; Martin, Knopoff, & Beckman, 1998) suggest that people who are engaged in social interactions can perceive quite accurately whether a person performs socially appropriate emotion regulation (e.g., displaying negative emotions to customers) and judge the authenticity of an emotional display (e.g., a fake smile).

ER and emotional intelligence literatures that suggest that a person's ability to self-regulate emotions (ERS) is distinct and independent of their ability to regulate other people's emotions (ERO) (Joseph & Newman, 2010; Mayer, Roberts, & Barsade, 2008). We identified quotes that referred to actions to elicit or modify their own or other people's emotions. We used the detailed sets of ER measures developed by Schutte et al. (2009) to classify the various ERS actions that founders performed (see Appendix S1). We thus coded founder quotes using ER categories such as selection of situations, cognitive change, or behavioral modulation (BM). This allowed us to perform a rigorous coding of what was or was not an ER action, and to show that some founders practiced more ER than others in a quantitative sense.

To illustrate, consider the following quote from Phil, the CEO of TECH, who explained to us how he reacted to his unexpected dismissal: “I felt very emotional when I was confronted with this guy sitting across from the table saying ‘I'm sorry but they want you out of the office immediately.’ … I went back to my desk and things welled up inside of me, and I just couldn't stay in the office anymore. I stormed out and never returned.” We coded this behavior according to Schutte et al. (2009) as BM (see Appendix S1: “When I have a negative emotion, I behave in ways that will weaken the emotion”). Storming out of the office was a way for Phil to reduce the disappointment and anger he felt at that particular moment.

To code founders' ERO we relied on Kaplan et al.'s (2014) eight types of leader emotion management behavior (see Appendix S2). For example, we coded an action as an ERO type 1 action (see Appendix S2) when the interview quote described the manager interacting and communicating with other firm stakeholders in an interpersonally tactful manner. To illustrate, consider the following quote from Landis, the CEO of INCUBATE: “We have a lot of respect for each other and get on very well. Therefore, spending three hours just talking about books or whatever is very nice, because it gives us the opportunity to just enjoy each other's company as individuals and that's been an important element, making sure that it's not just business, business, business in our interactions.” Such respectful and tactful interaction has been found to be an important predictor of people's emotional well-being and increases rapport and trust (Kaplan et al., 2014).

These classifications allowed us to perform a rigorous, literature-informed coding of what constitutes an ER action. However, as the above examples show (storming out of the office, or chatting about books), they neither captured the specific purpose of opportunity seizing nor revealed new insights into why ER might be effective for that purpose. We therefore reviewed our data in a second step, analyzing ER actions more deeply to identify their context-related content. During this analysis, the importance of time- and reward-related considerations in performing ERS emerged, as well as distinct ERO behaviors. For examples of such context-specific actions, see the “exemplary managerial ER actions” mentioned in Figure 1.

Specifically, as a result of our deeper data analysis, we inferred two new ERS concepts from the data that we labeled *time-related* and *reward-related* ERS. These concepts seemed relevant to the context of the study (opportunity seizing), allowed us to distinguish more sharply among the various sample cases, and suggested plausible explanations as to why ERS would be helpful for entrepreneurial managers as they seemed to provide them with valuable psychological resources to fuel their strategic change effort. Table 2A illustrates how we coded these new ERS actions. It shows the actions (column 1), definitions (column 2), and illustrative quotes (column 3).

Performing similar analyses, we found that managers' ERO could be captured by three types of actions: *maintaining open dialogue about the opportunity*, *controlling display of emotions*, and *showing consideration and support to opportunity stakeholders*. These ERO types represent a consolidation of the Kaplan et al. (2014) scheme and are tailored to the strategic change context of opportunity

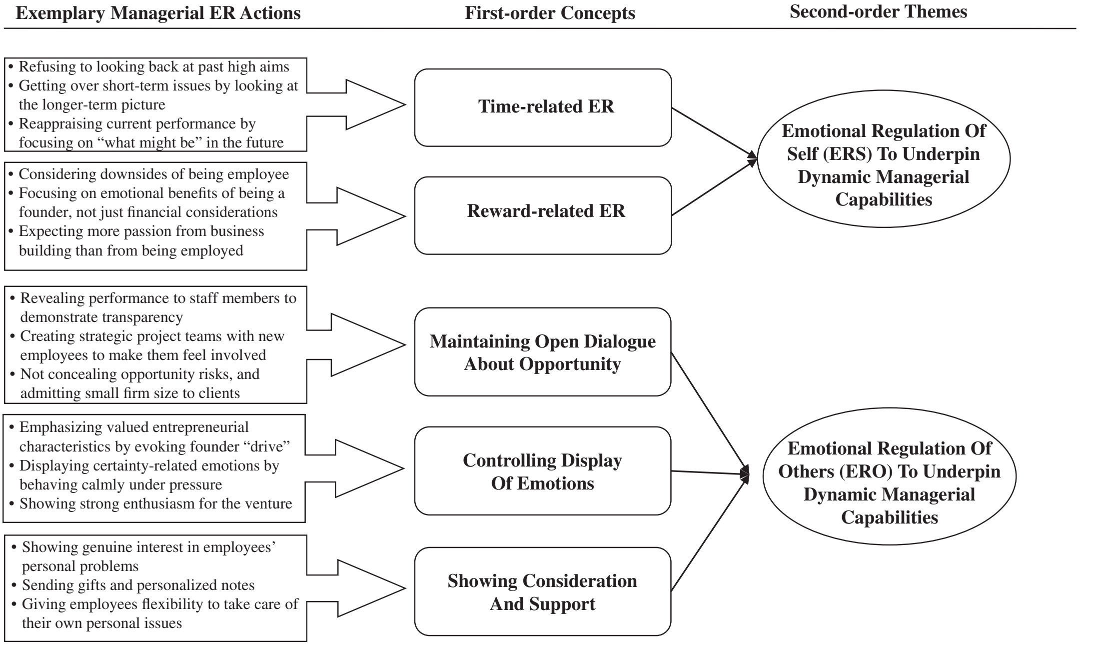

FIGURE 1 Data structure

seizing. Table 2B illustrates how we coded these actions. It shows the actions (column 1), their definition (column 2), and illustrative quotes (column 3). Table 2C shows how we triangulated ER actions.

Tables 2A–C only show those ER action categories for which we could establish significant differences in use among entrepreneurial managers. We also found that all the founders in our study made attempts to regulate emotions to make themselves or others feel generally good psychologically. This is consistent with previous research on ER and the benefits of positive emotions in various personal and organizational contexts (e.g., Grant, 2013). As this kind of ER is not directly related to the task of resource mobilization for opportunity development, we did not highlight it as a novel finding.

Consistent with theoretical sampling, there are notable differences among the founders in our sample in regard to specific ER actions. Table 3 shows the differences in founders' enactment of ERS and ERO actions. The founders of BUDGET, CONSULT, and DRINK displayed high conscious attention to ER by performing a rich variety of ERO and ERS actions, whereas the founders of INCUBATE, INVEST, and TECH enacted some, but not others, and with lower frequency, suggesting a modest attention to ER.

3 | FINDINGS

In this section we identify specific managerial ER actions, mediating mechanisms and resource mobilization outcomes that differ in regard to ERS and ERO. For example, our data suggest that high conscious ERS that is specifically linked to resource mobilization for opportunity seizing, rather than simply personal well-being, motivated founders to devote managerial human capital to the firm via the mediating mechanism of creating psychic benefits for themselves. Meanwhile,

TABLE 2 Managerial emotion regulation

A: Managerial emotion regulation of self		
ER action	**Concept definition**	**Illustrative quotes**
Time-related ER	Attempt to regulate emotions by comparing important aspects (e.g., benefits, costs, risks, outcomes, actions) across different times; these aspects are perceived as significantly time dependent (now versus past or future).	"The original business plan said I was going to be unbelievably rich. Unfortunately, that's not the case anymore. But I am not bothered. Right now, opportunity cost doesn't even enter into my mind. I'm not thinking ahead in terms of exit strategies. I'm still in the creation phase." (CONSULT) ERS: Antecedent-focused ER through cognitive change (see Appendix S1, CC): changing one's perspective on the expected payoffs, which are shrinking, and focusing on the tasks at hand to avoid being bothered. Time-related: ER involves comparing past ("the original business plan"), present ("any more", "right now"), and future ("thinking ahead") aspects of business building. "[It is less an emotional rollercoaster than it was in the early days] because the main thing that's emotionally draining is the question of, is it going to work, did I make a mistake going out of consulting, that kind of question. Once you've been through a few of those, you know, you spend less time worrying and you get on with it, really." (INCUBATE) ERS: Antecedent-focused ER through cognitive change (see Appendix S1, CC). Accepting that seizing an opportunity is a roller coaster, so as not to get excessively worried. Time-related: Facilitating cognitive change by comparing situations across time. "[Even under the current difficulties my commitment is not weakened] because I can see the light at the end of the tunnel." (BUDGET) ERS: Antecedent-focused ER through attention deployment (see Appendix S1, AD) by focusing on positive aspects ("see light") that give the manager hope in a difficult situation. Time-related: Thinking about the future ("end of tunnel") elicits positive emotion in the present.
Reward-related ER	Attempt to regulate emotions by comparing noneconomic personal rewards (including emotional benefits) with economic rewards, or by considering/comparing various aspects related to being employed by an established firm versus developing a business opportunity (for example, by creating and managing one's own firm).	"I couldn't imagine doing anything where I'd be happier. You can probably go back to being a deal-maker for Goldman Sachs, but then I'd have to be worried about being made redundant." (DRINK) ERS: Antecedent-focused ER through attention deployment (see Appendix S1, AD) by focusing on positive aspects such as not having to face the possibility of being fired. Feeling happy as a result. Reward-related: ER involves comparing what manager does with other jobs and their associated negative emotions (related to the fear or sadness of being made redundant). "I like the idea of being in my own business. I like working for myself. I remember working for a big company, and I just didn't like it."(INVEST) ERS: Antecedent-focused ER through selection of situation (see Appendix S1, SS). Reward-related: ER involves explicit comparison between running one's own firm and being an employee. "I could have been doing something else, but I wouldn't have been enjoying it. Opportunity cost doesn't take into account personal considerations, it's just financial salary. I look at what I'm doing and what I'm earning, and I'm very happy with what I'm doing." (CONSULT) ERS: Antecedent-focused ER through attention deployment (see Appendix S1, AD) by focusing on positive aspects of business building (e.g., type of activity "what I am doing," acceptable salary) to foster happiness. Reward-related: ER involves explicit comparison between financial opportunity cost and current earnings together with other benefits from business building ("personal considerations").

TABLE 2 (Continued)

B: Managerial emotion regulation of others		
ER action	**Concept definition**	**Illustrative quotes**
Maintaining open dialogue about the opportunity	Attempt to manage other people's emotions (a) by openly addressing (and sometimes even emphasizing) the risks associated with seizing the opportunity; or (b) by performing management actions (e.g., with respect to administration, sales, operations) in a way that involves the participation of other relevant people or can be openly observed by stakeholders.	"I think people trust us very quickly because we take an open and honest approach. You know, it can be on simple things like being a little bit self-deprecating and actually sort of just being very open and very blunt about the faults of our organization in areas where we're not going to be as good as some of the other companies. … For example, people will say, 'Hang on a second, IBM is a much bigger company than you. Surely there's a lot less risk going with IBM than there is with little old CONSULT.' You say, 'Well yes, that's a commonly held view' and 'Yes, I would agree with that.'" (COO CONSULT) "One of the things that would help us a lot is that we would communicate a lot among ourselves, in spite of being separate, in different locations. We spent an awful lot of time on the phone exchanging views, <u>telling who was doing what</u>, and <u>everybody was involved</u> in the fundraising. We totally <u>cheered</u> ourselves up." (CEO INVEST) "With general managers we have operational reviews every month which are face-to-face, one-on-one, where we review the financial performance of the business and we go through any other issues that are outstanding. So that's the formal communication process. We get together with them every quarter in advance of their operating review and have a more informal meeting where we update them on the strategy of the business, and we have a general open forum with the group, and we sit down and we say, 'Right, have you got any issues? How are we getting on? Are we delivering what we said we were going to deliver? How are you feeling about life?' So, it's more of a warm and cuddly session." (CEO BUDGET) ERO: All these quotes refer to maintaining open and frequent communication with other stakeholders (see Appendix S2, ERO8).
Controlling display of emotions	Attempt to regulate other people's emotions by identifying and emphasizing those aspects of the entrepreneurial managers themselves that are valued by or are personally meaningful to stakeholders, including displays (often in controlled and measured ways) of emotions that suggest managers are convinced, confident, or in control (e.g., enthusiasm, excitement, or calm).	"[We told our employees that] you will, as engineers, learn a lot about two or three very exciting technology areas that we think will be of value to you. Engineers—just my own background experience—get very turned on by the idea of being exposed to new technologies and being in the loop on something interesting. So that's more than salaries, <u>what motivates them is learning and being an expert in a new area.</u>" (CEO TECH) ERO: The CEO provides frequent emotional uplifts to his employees (see Appendix S2, ERO5). "Everything I was saying hit a lot of bells with [the investor] of how his family had made its money. They were in a remote area. They set up an insurance firm, they were politically astute, they were quite innovative, they had fun, there was a lot of drive, there was momentum, and apparently personally I reminded him of his grandfather. … So, in the first week of January, I had a call with an outline term sheet saying, we want to put a million in. It's like, you're kidding?" (CEO DRINK) "I'm excited about this [venture]. You probably see that I get quite animated when I'm talking about it. That comes across to people. I tell people about it and I get very excited about it too." (COO CONSULT) ERO: These two quotes refer to using emotional displays to influence other people's behavior (see Appendix S2, ERO 3).
Showing consideration and support	Attempt to regulate other people's emotions by dealing with opportunity stakeholders on an individual level to take care of their personal well-being, and by responding to the stakeholder's individual needs by producing some customized action.	"So [an acquaintance and potential employee who had been mugged in the subway] is sitting in my kitchen telling me this, and I just started crying and crying and crying because it's such a horrible thing, but also because I've got this weird intuitive sense. I just saw the fragility underneath of someone who's so strong. … On the strength of half of one minute's conversation on it, she quit her job and [joined us]." (CEO DRINK) ERO: Demonstrating consideration and support for the employee by listening and empathizing with her (see Appendix S2, ERO2).

TABLE 2 (Continued)

B: Managerial emotion regulation of others		
ER action	**Concept definition**	**Illustrative quotes**
		"We decided at one point that if we have pressing things to discuss over dinner, we should try not to talk about this over dinner. Obviously, when we're talking about business issues, you've got different views on things. You also can be a bit argumentative, and therefore there's an element of tension in those discussions." (CEO INCUBATE) ERO: Interacting over dinner in a tactful manner that avoids tensions and thereby shows consideration for others (see Appendix S2, ERO1). "If somebody calls up and asks me, 'Can I spend Thursday home because I've got the plumber coming in? I want to work from home,' [I say,] 'Not a problem.' We let people work from home whenever it's reasonable to do so. It just generally makes people feel that we're giving them more responsibility, we trust them. All these things make people better-humored rather than feeling that 'my job is nine-to-five.'" (COO CONSULT) ERO: Structuring work tasks with consideration for the employee's emotions (see Appendix S2, ERO4).

C: Triangulation of managerial emotion regulation actions: Five examples		
ER action (case)	**Entrepreneurial manager (ER in brackets: Appendix S1 and S2)**	**Stakeholder(s) (legitimacy-judgments in case of ER of others are bold-faced)**
Time-related ERS (BUDGET)	JAMES: You can get very depressed and frustrated because you just make no progress in one day … but if you step back and say, well where was I this time last year? … in a 12-month period, I've achieved a huge amount. So, you have to put it into perspective. (CC)	FINANCE DIRECTOR: James is very good at putting a positive spin on things that aren't necessarily positive. I've learned [from him] how to be positive and how to put a positive spin on things because, actually, you know, you can get bogged down in the detail. But if you stand back from the business, you know, we've achieved a hell of a lot in four or five years, and there might be bits and pieces that are going wrong in the short term, but you need to maintain that attitude, that the macro picture of the business is that things are going really well. FINANCE DIRECTOR: You know, results are not going right. But when you take a step back and look at what you've achieved over five years then you realize that there have been some good things happening as well.
Reward-related ERS (CONSULT)	SAM: What keeps me going is partly the fact that I'd hate to go back to doing what I was doing before. ... I do what I do because I absolutely love it. I like the variety.… I enjoy having the opportunity to be entrepreneurial when I want … and in 10 minutes we can decide we're going to spend some money and try something. Whereas in a big company that would take a year. (AD)	INVESTOR: I think now that Sam is working for himself he enjoys it. He gets a lot of satisfaction from it, and you know, he can hold his hand up and say, I've done this and I think that's very important too. Everybody likes to know that you have created something that is successful, and I think that's why he carries on. INVESTOR: What keeps Sam going? I think anybody who runs their own company must be deeply passionate, committed, aware of how, despite all the pressures and pitfalls, at the end of the day whatever you're putting in is for you, absolutely, directly. There must be pride in running your own company—not only how it's grown, but also your own input, and the rest of it. I suspect, you know, once you run your own company, you would never contemplate going to work for somebody else. So, I suspect that, you know, he's still keen and passionate and motivated.
Maintaining open dialogue about the opportunity	JAMES: We've been very up-front about the cultural change. We've made it clear that there will be	HUMAN RESOURCE MANAGER: **James is a fairly straightforward person**. You can say what you think to him and you can have discussions with him about various aspects of the business.

TABLE 2 (Continued)

C: Triangulation of managerial emotion regulation actions: Five examples		
ER action (case)	**Entrepreneurial manager (ER in brackets: Appendix S1 and S2)**	**Stakeholder(s) (legitimacy-judgments in case of ER of others are bold-faced)**
ERO (BUDGET)	changes. We've made it clear that we think Most of them will be positive. Most of them, not surprisingly, have been very, very enthusiastic and have embraced the change. … We've been in the car for three days and we've visited every single site and spent two or three hours with each general manager. (ERO8, ERO2)	FINANCE DIRECTOR: **Communication is very, very strong.**… There aren't problems that aren't shared. All of the problems are shared. You know, that's probably the main way that they're dealt with. So, there's collective decision-making. You're never making a decision in isolation of other people. HUMAN RESOURCE MANAGER: It's a very open organization. People can say what they think. … they like BUDGET, they like the relaxed atmosphere, they like the fact that they can see the people at the top of the organization and not these people that are sort of distanced within their ivory tower. **They are real people who get into the business and see what's going on.**
Controlling display of emotions ERO (DRINK)	CAROLINE: I'm also actually very patient. **I never lose my temper**. I'm not wired that way. **I don't do anger, I don't do temper. I don't get fed up**. I keep on going. So, it's like let's just try 10 other times to make this happen. If you try enough things out, one of them's going to work. (ERO3)	MARKETING MANAGER: Caroline feels quite **maternal about the business. … her nature is very warm and engaging**, and **people matter to her more than anything else**. … I think she almost sees it as a point of personal failure if people want to leave and do something else. She feels she hasn't made them **happy** enough. ACCOUNTANT: Caroline [inspired our company culture] in which we try to be as supportive to each other because we all have highs and lows. … we **try our hardest not to blame** each other, and I think that helps an awful lot. So, we **cheer the highs and we don't blame each other for the lows**, and we've got better at doing that.
Showing consideration and support ERO (CONSULT)	SAM: You know, your job should be enjoyable. It really genuinely should be. …you know, you should want to go out and spend time with your colleagues and whatever. We do all sorts of things. We do concert evenings. We get everyone together. You know, we have real fun, and it's not a case of us and them. The directors are there to support the consultants. The consultants are the people who are making money for us. (ERO5)	EMPLOYEE: We go and celebrate a lot. **Sam's very good at some of the sort of small points**, like for example, we have a day when we just won a contract, and you know, I think Sam was happier than anyone else that we won the contract. I think everyone in the office was busy working. So, Sam just disappeared off and came back with a crateful of beer and just bonked it on the desk and told everyone to stop working and have fun and celebrate. He's like that. **He's good. He's very good at following up on small points. He's very good at, you know, sending emails congratulating people about even the smallest thing**. And I know he does that for everyone. EMPLOYEE: We do quite a lot of sort of, you know, entertaining. You know, we go out a lot as a company, and I just genuinely think that **the three directors are very, very approachable people and are very much, you know, the same type of people as the rest of the employees.** I just think it works. EMPLOYEE: Just going out for an evening either Sam or [the other co-founder], it's great fun. **They're good people** and I consider them friends.

ER: emotion regulation; ERO: emotion regulation of others; ERS: emotion regulation of the self.

TABLE 3 Variation of managerial emotion regulation across sample firms

ERS/ERO	BUDGET	CONSULT	DRINK	INCUBATE	INVEST	TECH
Time-related (ERS)	Regular	Some	Regular	Some	Some	Some
Reward-related (ERS)	Frequent	Frequent	Frequent	Some	Some	Some
Open dialogue (ERO)	Regular	Some	Absent	Absent	Some	Some
Controlling display (ERO)	Absent	Some	Frequent	Absent	Absent	Regular
Consideration (ERO)	Frequent	Frequent	Regular	Some	Absent	Absent
Overall ER awareness	High			Modest		

Note. Absent: Manager mentioned no ER behavior in all interviews; Some: Manager mentioned ER behavior in some of the interviews; Regular: Manager mentioned ER behavior on average at least once in every interview; Frequent: Manager mentioned ER behavior on average at least twice in every interview. ER: emotion regulation; ERO: emotion regulation of others; ERS: emotion regulation of the self.

high conscious ERO motivated stakeholders to provide managerial social capital to the firm via the mediating process of eliciting favorable legitimacy judgments, defined as assessments "that an entity is appropriate for its context" (Tost, 2011, p. 688).[9] Figure 2 summarizes our main findings.

Next, we elaborate various key elements of our model, drawing mostly on those cases where managers paid high conscious attention to ER. (For more evidence from the "low" cases, see Tables 2A & B.)

3.1 | How emotion regulation of self helps mobilize managerial human capital

Nearly all founders interviewed likened the experience of building a new firm to riding a "roller coaster," charged with extreme emotions that, if left unregulated, could cause sharp emotional swings. Christine, the CEO of DRINK, said:

> It's like a roller coaster. One week it's going to be an absolute high, the next week it's going to be an absolute low, and the only guarantee is if you're high, then it's going to be low, and if it's low, then it's going to be high. That's what you realize. You just realize that it's a very high oscillating roller coaster. So, you don't get too blown away by the highs, and you don't get too depressed by the lows. … I didn't quite see that it would be that extreme before. I have learned it. … So, nothing much really changes my mood up or down particularly. (CEO DRINK)

In terms of ER, she referred to a form of antecedent-focused ER that relies on cognitive change (see Appendix S1, CC, "I change the way I think about emotions to prevent me from feeling emotions I do not want to have"). As a result of her experience ("I have learned it") with the organization-building process, she developed a personal coping strategy that helped preempt extreme (negative or positive) emotions. This increases her emotional stability in the face of future emotional

[9]Tost (2011, pp. 693–694) argues that there are three main dimensions of content underpinning active legitimacy judgments: instrumental, relational, and moral. Instrumental legitimacy arises when the entity (in our study, the firm's founder) is "perceived to facilitate the individual's or group's attempts to reach self-defined or internalized goals or outcomes" such as "perceptions related to the effectiveness, efficiency, or utility of the entity." Relational legitimacy is present when the entity is "perceived to affirm the social identity and self-worth of individuals or social groups and to ensure that individuals or social groups are treated with dignity and respect and receive outcomes commensurate with their entitlements," such as perceptions of "fairness, benevolence, or communality." Finally, "an entity is perceived as legitimate on moral grounds when it is perceived to be consistent with the evaluator's moral and ethical values." She also notes that these three dimensions are not mutually exclusive (i.e., they may overlap) and that an entity could be evaluated simultaneously on multiple dimensions (Huy, Corley, & Kraatz, 2014).

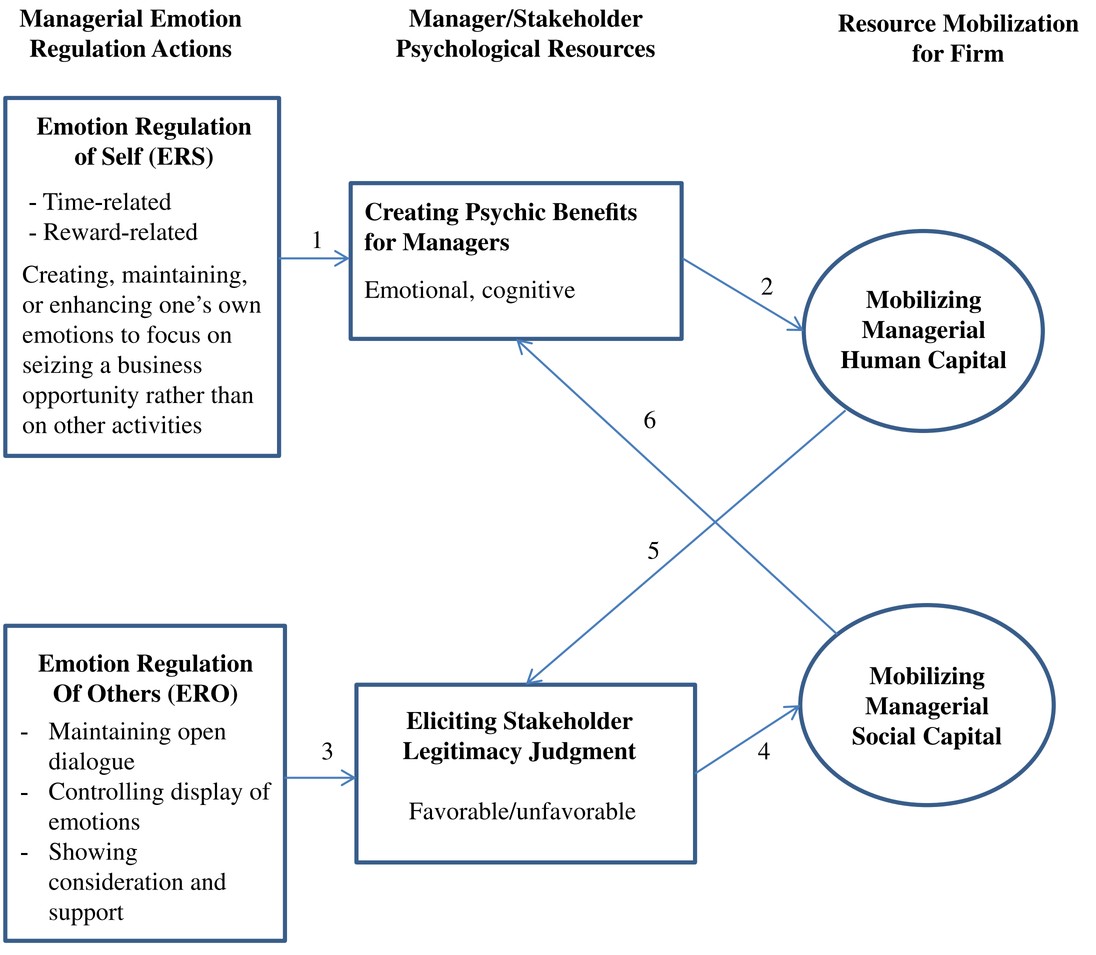

FIGURE 2 Inductive model of dynamic managerial capability underpinnings

shocks ("Nothing much really changes my mood up or down"), which is an important psychological resource, thus confirming link 1 in our model (Figure 2). Jordi, an industry expert and Chairman of DRINK, confirmed Christine's ability to appear "calm like a duck—calm on the surface and paddling like hell underneath," and also noted that she was "quite confident that we will succeed" and "very positive in her attitude." Our data analysis suggests that Christine's ERS represents a specific type of ER that distinguishes managers who display high conscious attention to ER from those who give it modest attention. We call this *time-related* ERS and our analysis suggests that it can foster resource mobilization.

3.1.1 | Time-related emotional self-regulation

Time-related ERS refers to managers modifying or maintaining emotions during their personal involvement with the firm by comparing important aspects of firm-building activity (e.g., benefits, risks, actions) at different times (present vs. past or future). Their comparisons represent a contextualized form of cognitive appraisal to elicit positive emotions, or (at least) attenuate their own high-intensity emotions. In the example above, Christine's reported ERS is time-related, anchored in a comparison of different extreme situations (highs and lows) that she has lived through in the context of seizing business opportunities.

Echoing Christine's time-related coping with the emotional roller coaster of building a new firm, James, the CEO of BUDGET, told us:

> You've got to look at the longer-term picture. Most people normally operate on a day-to-day basis. If you look at what you're achieving day-to-day, you can get very depressed and frustrated because you just make no progress in one day. So, you go home and you think, I might as well not have been in the office today. I might just as well have been on a golf course playing golf all day; I've achieved nothing. If you get into that mentality, you can get very depressed. But if you step back and say, well where was I this time last year? This time last year I had a blank piece of paper. In a 12-month period, I've written a business plan, I've gone out and raised £6.5 million from institution investors, I've got a whole bunch of people to buy into the fact that I can run a business, I'm about to sign three agreements to lease on three good hotel sites, etc. In a 12-month period, I've achieved a huge amount. So, you have to put it into perspective. (CEO BUDGET)

James noted that he would have felt depressed and frustrated (extreme negative emotions) if he had focused only on short-term results. He performed ERS by looking "at the longer-term picture" to avoid feeling depressed over the perceived slow progress of his opportunity-seizing activity. In conventional ER terms (Schutte et al., 2009), James changed the way he thought about things to prevent him from feeling emotions he did not want to have (see Appendix S1, CC). Andrew, BUDGET's lawyer, confirmed that, "In emotional highs and lows, James is this very calm, constant person. I don't know what he does in private, if he lets it out some way. But when he's facing the world, he constantly keeps his calm."

Analyzing how the entrepreneurship context influenced James's action, we note that his ERS involved a specific form of cognitive appraisal, explicitly comparing present and past firm-building outcomes. This time-related reframing allowed him to see subjectively "a huge amount of achievement," eliciting positive emotions (Figure 2 link 1) related to successful goal attainment (Lazarus, 1991). These constitute psychological resources that energized James to stay and work for the young firm (going to the office instead of playing golf), creating a managerial human capital mobilization benefit (Figure 2 link 2). (See Table 2A for more empirical evidence of this type of ERS behavior.)

3.1.2 | Reward-related emotional self-regulation

We identified a second type of ERS action that distinguishes between managers who display high conscious attention to ER and those who give it modest conscious attention. We call this *reward-related* ERS because it relies on a comparison of different types of rewards, often across situations (rather than time). Christine, CEO of DRINK, compared her current situation with potential alternatives:

> Just being very honest, even as [building a business] is very painful all the time. … You know, there's not that many opportunities out there that offer this sort of experience, the ups as well as the downs. … I mean, there's a lot of boring business out there. People turn out really boring stuff, and it's really tedious, and there's not much hope in

> it or interest. And our consumers love it as well, and so you just think, I've got to keep this strategy to go direct. (CEO DRINK)

She dealt with the painful challenge of building her whiskey distillery by comparing it with other, less exciting business opportunities. That helped her focus on the positive aspects of her activity (variegated, rich, nonboring), and thus represented a form of ERS through attention deployment (see Appendix S1, AD, “I pay attention to the things around me that prevent me from feeling emotions I do not want to have”). This, in return, gave her renewed psychological resources (interest, energy from entrepreneurial work; Figure 2 link 1), which, together with the positive feedback from customers, strengthen her resolve to persevere with the organization-level strategy of going “direct” to the customer rather than involving powerful white spirits distributors (Figure 2 link 2).

More specifically, reward-related ERS refers to managers seeking to elicit positive or reduce negative emotions about their involvement with the firm in two ways. The first is comparing various rewards from the pursuit of business opportunities, e.g., the financial and noneconomic personal rewards. The latter could include personal enjoyment or “psychic income” derived from entrepreneurial work, as noted by Gimeno, Folta, Cooper, and Woo (1997). Second, they elicit positive emotions by comparing the rewards from seizing an opportunity with an alternative, such as regular employment in an established firm.

To illustrate the latter and show how comparisons between economic and emotional rewards can form part of managers' ERS, consider how Sam, COO and cofounder of CONSULT, compared various reward-related aspects of running his own company to being an employee of an established firm. He explained that he had not left his former employer (a prestigious consulting firm) for financial reasons:

> I was driven mainly by frustration. I just thought, “I can do this. I can bloody well do this stuff.” There was the financial bit, and I was sick to death of going out and doing work and lining the partners' pockets. Okay, they pay you pretty well, but the hours are terrible. I just thought “There's more to life than this. If I'm going to work this hard, then it might as well be for myself.” ... I had to try it. The worst thing I could have done was not to do anything. (COO CONSULT)

The comparison between de-energizing negative emotions (e.g., frustration) that arose from working for the consulting company and getting little out of it and the anticipated positive emotions (enjoyment) of working for himself represent a conscious action of cognitive appraisal to elicit positive emotions about Sam's personal involvement with the new opportunity and reduce his former frustration (Figure 2 link 1). This ERS action sought to change the way he perceived things to prevent him from feeling negative emotions he did not want to have (see Appendix S1, CC). It led him to start his own company (“I had to try it”). Positive emotions energized his persistence with the idea, thus mobilized managerial human capital, and eventually led to the formation of a new firm (Figure 2 link 2). (See Table 2A for more empirical evidence of this type of ERS behavior.)

As Table 3 shows, in some companies the founders paid only modest conscious attention to ERS. Rather than drawing strength and resolve from comparing his activity as an entrepreneurial manager with his former job as a consultant, Landis, the CEO of INCUBATE, continued to doubt whether he had made the right choice for himself: “The main thing that is emotionally draining is the question … did I make a mistake going out of consulting?” Unlike the founders of DRINK and CONSULT, Landis did not particularly value running his own firm compared with being an employee in a large established company: “Our turnover was small, and most of what you're dealing with on a day-to-day basis is whether your warehouse manager is off sick and whether there's been a flood in the back of the office, or whatever. Frankly for me, not terribly motivating." Although he performed some reward- and time-related ERS, particularly in the early days pursuing the opportunity, which he found "scary and exciting", over a protracted period of opportunity development he failed to exploit the possibility of creating rich psychic rewards for himself from entrepreneurial work. As he explained, "Any aspect of day-to-day operational running of the business tends to be very interesting and exciting in its first days … Once you've set it up, it's not something that's terribly exciting." This undermined his ability to mobilize resources for seizing entrepreneurial opportunity: "The result of those reflections was that we came to the conclusion that the strategy we should follow was not to raise money, not to pursue acquisitions, but basically just to focus on running the businesses." Eventually, Landis could not keep mobilizing his human capital for the new firm, lost interest in the opportunity, and went back to his former job as a consultant.

3.2 | How emotion regulation of others helps mobilize managerial social capital

Our analysis of managers' ERS revealed that they might also differ in levels of conscious attention given to *other* people's emotions. James, the CEO of BUDGET, for example, exhibited high conscious attention to other people's emotions. He told us that he was anxious not to get investors unnecessarily worked up, in either a positive or negative sense:

> You know, we get good and bad news coming through all the time. The question is, do you want to report that good and bad news? Or do you decide to hold fire, because actually most of it comes to nothing. There's no point in telling investors bad news and then finding that a week later you've resolved the issue, because all you've done is get them excited. (CEO BUDGET)

This behavior on the part of the CEO—verifying information before passing it on to prevent unnecessary anxiety among stakeholders—influenced investors' perceptions. One of them, George, reflected on his investment in BUDGET as follows:

> It's been a remarkably emotion-free ride so far. … I am pleased to say that the working relationship between the individuals who work full-time in the business and ourselves has been very good. … I can honestly say that we've never had any fallings out or moments of high emotion in that regard. It's all been pretty structured, and from an emotional point of view, pretty boring. … I would say it's a pretty happy ship. (Investor BUDGET)

George's assessment ("remarkably emotion-free," "never any moments of high emotion") is consistent with James's account of his controlled emotional displays. It also conveys a favorable attribution of stakeholder legitimacy, specifically, a favorable relational legitimacy judgment (i.e., George is "pleased" about the "very good working relationship" with the founders), which supports link 3 in our model of dynamic managerial capabilities to regulate emotions (Figure 2). Partly as a result of these favorable perceptions, the investors maintained their financial involvement in the firm and their commitment to the managers (thus confirming link 4 in Figure 2). George told us: "We are results-oriented, and if things weren't working out, we would have used our clout to make management changes if we thought that was necessary. I'm pleased to say that it hasn't come to that." Our analysis thus suggests that managers' emotional management of other stakeholders can create managerial social capital mobilization benefits through the mediating mechanism of stakeholder legitimacy judgments about the firm and its managers.

Although all the managers in our sample attended to stakeholders' emotions in one way or another, such as taking people to restaurants to reward their achievements and make them feel proud, our data suggest that some founders displayed greater conscious attention to ERO than others. We identified three types of ERO relevant in the context of opportunity seizing: maintaining open dialogue about the opportunity, controlling display of emotions, and showing consideration and support of key stakeholders. We summarize these actions in Table 2B and present additional supporting data in text form in Appendix S3 (available upon request from the authors).

As Table 3 shows, in some companies the founders paid only modest conscious attention to ERO. Consider how Phil, the founder of TECH, reacted when he was asked to step down as CEO of the firm he founded. In dealing with his anger and disappointment, Phil largely neglected to pay attention to other people's emotions in a controlled or considerate manner. For example, he lobbied intensely against the search for a new CEO because this threatened his career ambitions within the company, even though competent leadership would have benefitted the firm as a whole. His lobbying efforts eventually led to the creation of a dual CEO position, a compromise that proved dysfunctional. The mounting tensions between the "co-CEOs" resulted in Phil sending e-mails in which he blamed the new CEO for not generating sales. Although this allowed him to convey information, vent his anger and fulfil a self-oriented need (i.e., feeling better personally) in the immediate term, at the firm level it aggravated tensions among board members, culminating in his dismissal. As he noted: "I was fired when I sent this e-mail. And in retrospect, I probably shouldn't have sent it."

3.3 | Boundary conditions

Our data also suggest two boundary conditions for performing managerial ER in strategic change situations: environmental munificence and personal customization.

3.3.1 | Environmental munificence

Our data suggest that managers who favor a cognitive-rational approach to pursuing opportunities and give modest conscious attention to ER can still mobilize adequate resources for their firms under specific circumstances, such as when these firms operate in resource-rich environments. All six firms in our sample were reasonably successful in their early days (about 2000–2001), which was a time of exceptionally high environmental munificence (Zott & Amit, 2007). They did not find it too difficult to acquire vital resources, such as paying customers (with the exception of DRINK and TECH, which focused initially on R&D), highly-qualified employees and sufficient external funding, so that they could begin developing products and building operations. In such circumstances, ER might not be mission-critical.

3.3.2 | Personal customization

Furthermore, we note that it is difficult to practice ER effectively with everyone, even when managers perform give it high conscious attention and stakeholders concur on the resulting benefits. At CONSULT, for example, we detected a dissenting voice among the six people we interviewed: One employee indicated that he did not feel inclined to do any more work than was required of him. He believed that the company had inadequately acknowledged his earlier contributions:

> Recently I've been off-project or on the bench for about three or four months and I was basically advised that if a project wasn't found, then I'd be made redundant, which I felt

> was quite unfair considering that I'd actually spent about four out of the five years full-time working and keeping the company afloat. (Employee CONSULT)

Hence, even in firms where managers practiced ER extensively, it did not always have the intended effect. Since effective ER often requires personalized customization for stakeholders with diverse preferences, not all attempts can be expected to succeed.

3.4 | Interactions between dynamic managerial capabilities building blocks

Beyond the direct effects of managerial ER actions (links 1, 2, 3, and 4 in Figure 2), our data also reveal cross-interaction effects between ERS and ERO (links 5 and 6 in Figure 2). That is, observing managers mobilizing their human capital for the new organization (or not) influences stakeholders' (favorable or unfavorable) legitimacy judgments of the manager and the firm (link 5). Observing stakeholders providing resources to the firm (or not) creates (high or low) psychic rewards for managers (link 6). Our study reveals important interactions between managerial human capital, managerial social capital and managerial ER behaviors, which have been conceptualized as the building blocks of dynamic managerial capabilities (e.g., Helfat & Martin, 2015). Consider the observation that Kurt, an angel investor, made about Sam, the COO of CONSULT:

> Sam can be seen as soft, but actually he's very, very tough in business. So that was a personal attribute that I noticed in him and I said, okay, when the chips are down, this is a man who is not going to jump ship. He's going to stay fighting. (Investor CONSULT)

Kurt observed that Sam mobilized managerial human capital by providing unwavering support for the business (Sam is “very, very tough in business”), and this positively influenced his legitimacy judgment of the founder, whom he perceived as persistent even under difficult circumstances (“when the chips are down”). This is a favorable judgment related to the quality of the manager: Good entrepreneurial managers are expected to “stay fighting” and not likely “to jump ship” under duress (Gimeno et al., 1997). Peter, a venture capital investor in TECH, underlined this favorable instrumental legitimacy judgment: “What I respected—and I have a lot of admiration for—is these guys just stuck at it and they weren't going to give up.” Our data thus reveal a positive feedback loop from managers' persistence in resource provisioning to eliciting stakeholder legitimacy judgments (see Figure 2 link 5).

Conversely, our data also suggest that managers can draw psychic benefits from receiving stakeholder support in building their firms, a second dynamic feedback loop that links the upper and lower branches of our model (link 6 in Figure 2). In CONSULT, for example, the investors provided not just financial resources to the venture, but also supported the founder in very personal ways, i.e., mobilized managerial social capital. Randy, a private investor, told us how he helped and encouraged Sam:

> He's had a few salespeople who've come and gone, and he's felt fairly low about it, and a few of us would just go out and get drunk. You know, it gives him an opportunity to talk to a sympathetic ear that could hopefully provide impartial advice that isn't directly involved in the business. It's more a support mechanism than anything else. (Investor CONSULT)

Randy went on to explain the motivation behind his supporting actions: "You've got to be there when it's good and when it's bad. I think every business goes through cycles, and hopefully you're around to help." Curt, a fellow co-investor in CONSULT, concurred: "No matter how difficult, it's always best to work with people … I mean, Sam is a businessman first, but I also regard him as a friend. I would say, 'Come on, let's go out for a beer or let's have dinner.'" Such personal support may well have provided emotional benefits to the founder and renewed psychological resources to deal with problems. Sam confirmed this: "Angel financing is about emotion. The nice thing is, with the investors, you can just go and be completely honest."

4 | DISCUSSION AND CONCLUSION

Our inductive field study yields a more precise and deeper understanding of whether and how managers, in pursuit of entrepreneurial opportunities, regulate their own emotions and those of other stakeholders; whether and how they do it in patterned ways (we identify two types of ERS and three types of ERO); the relations between their practice of ER and other underpinnings of dynamic managerial capabilities (human and social capital); and mechanisms that explain the links between ER and resource mobilization. We also show how such mechanisms and outcomes differ in regard to ERS (creating psychic benefits from entrepreneurial work to mobilize managerial human capital) and ERO (fostering favorable legitimacy judgments based on content criteria to mobilize managerial social capital).

4.1 | Affective underpinnings of dynamic managerial capabilities

Why would patterns of ERS behaviors be useful for firms in a context of strategic change? People sometimes create positive feelings by engaging in downward social comparison with *others* who are inferior, or in some way less fortunate (e.g., Wills, 1981; Wood, Michela, & Giordano, 2000). People who scored highly on the tendency to repair their negative feelings were found to engage in downward comparisons when they were sad. Our findings offer an insightful twist to such explanations: They suggest that entrepreneurial managers do not compare themselves with less fortunate others perhaps because comparison benchmarks are less salient in as far as they strongly believe they are doing something unique. Rather, they compare themselves with their own *imagined selves* in a different time period (past versus present), in a different work context (entrepreneurial versus established firm), or by invoking different types of benefits (economic versus emotional). Such comparisons provide a reliable way to boost managers' positive feelings about their opportunity-seizing activities, since they activate an internal "mirror" and intrinsic motivation, both of which are largely impervious to downward comparison and external influences.

Why would patterns of ERO behavior directed toward stakeholders facilitate managerial social capital mobilization in a context of strategic change? Our findings suggest that this happens not via emotion-related mechanisms, such as emotional contagion or affect priming (e.g., van Knippenberg & van Kleef, 2016), but primarily via the cognitive path of legitimacy judgment. This is significant in light of prior research that emphasizes managerial cognition as one of the key underpinnings of dynamic managerial capabilities (Adner & Helfat, 2003). Our study suggests that the cognition of *other* people (i.e., stakeholders who are recipients or observers of the focal manager's behavior and who form legitimacy judgments) may explain the mobilization of managerial social capital. This is important because social capital represents a key underpinning of managerial dynamic capability, too, and our study reveals how these concepts are interlinked.

Moreover, the legitimacy judgment pathway reveals a complex but plausible mechanism linking emotion-related managerial behaviors (in this case ER) and the building of managerial social capital. Legitimacy has long been recognized as a vital resource for would-be leaders to elicit voluntary cooperation and compliance from subordinates ("followers") (Huy et al., 2014). In its absence, would-be leaders rely on costly and self-limiting coercive tactics. This is consistent with another of our observations: Entrepreneurial managers who paid only modest conscious attention to ERO received decreasing support from their stakeholders when the going got rough (e.g., when resources became scarce) because relationships with their stakeholders were mainly affect-neutral and transactional. Helfat and Martin (2015) noted that evidence about how managerial social capital impacts strategic change was sparse, hence we offer empirical support for this underexplored relationship.

Our study also reveals a distinctive attribute of dynamic managerial capability as something that may not be rapidly replicable. That is, the capacity of a manager to leverage ER effectively in conjunction with managerial cognition, human and social capital as she moves to a new firm is likely to be diminished to some extent because of the focal firm's idiosyncratic attributes and time compression diseconomies. The effectiveness of ER depends on understanding the organization's historical context and culture, knowledge of people and networks in the organization, and this cannot be replicated fast when a manager moves from one organization to the next.[10]

ER represents a means for resource-constrained managers to "create something from nothing" (Baker & Nelson, 2006), or, perhaps more precisely, to make more of the little they have, that is, to "squeeze more out" of existing resources. This is an important theoretical insight through which our study links the affective underpinnings of dynamic managerial capabilities and resource management literatures with that on organizational resourcing (e.g., Feldman, 2004; Feldman & Quick, 2009). More specifically, it shows that managerial human and social capital (e.g., the founder's skills and knowledge) is not intrinsically altered (enhanced or diminished) through the practice of ER (as suggested, for example, by Helfat & Martin, 2015). Rather, the intensity (or frequency) with which these resource are mobilized in pursuit of opportunities increased. Thus, managers' ER behaviors foster opportunity-seizing and enhance the firm's chances of survival by putting existing resources into action. As Penrose (1995, p. 25) notes, "It is never resources themselves that are the 'inputs' in the production process, but only the services that the resources can render. The services yielded by resources are a function of the way in which they are used."

4.2 | Contributions

Our study makes three important and interlinked contributions to the literature on dynamic managerial capabilities. First, it elucidates the patterns of managerial ER behaviors that can be construed as an important micro-foundation of dynamic managerial capability, enriching the psychological underpinnings of the construct and complementing existing research that focuses on mental models, processes and knowledge structures as aspects of managerial cognition (e.g., Adner & Helfat, 2003; Helfat & Peteraf, 2015). Our research complements this important stream of work by showing that managerial behaviors directed toward regulating managers' own and other people's emotions matter for strategic change, and for seizing business opportunities.

Second, if one accepts the premise that ER behaviors could be considered a subset (albeit often overlooked) of managerial cognition or its effects (Helfat & Martin, 2015), our research may well be the first empirical study to identify specific ER behaviors that are adaptive in a strategic change context, and to link all three conceptual pillars of the dynamic managerial capability construct–

[10]We would like to thank an anonymous reviewer for pointing this out.

managerial cognition, human capital, and social capital. This represents a significant theoretical advance because we expose the intricate and nonobvious pathways among them, including the ways in which they interact.

Third, through ER, our study may be among the first to reveal a truly dynamic model of the underpinnings of dynamic managerial capabilities. It uncovers the precise mechanisms and processes by which managers' ERS and ERO impact strategic resource mobilization, and shows how managerial psychological behaviors, mechanisms and firm-level outcomes are interrelated in a dynamic model composed of feed-forward and feed-back loops (see Figure 2).

By suggesting that managerial human and social capital are dynamically mobilized—yet not necessarily altered—through managerial ER, our analysis offers another insight. Scholars generally agree that dynamic capabilities influence firm performance by *altering* the firm's resources, which then produce performance through their innate properties (e.g., Zott, 2003). Although we do not focus on performance in our study, our model suggests a different pathway by which dynamic capabilities could influence firm performance, namely by *putting* existing resources *in action* more frequently, intensely, or longer. In other words, ER-underpinned dynamic managerial capabilities may unleash dormant, untapped value from a firm's existing resources.

Our study also adds to the entrepreneurship and ER literatures. Although an entrepreneur's resources may be mobilized by the presence of "psychic" as well as economic benefits (e.g., Gimeno et al., 1997), how exactly such psychic benefits are created during the process of opportunity development remains unclear. As Cardon et al. (2012, p. 3) refer to it, it is a "mystery" in the "middle of the heart" of entrepreneurship between opportunity identification and exit. We enrich the theory of entrepreneurial action under uncertainty (McMullen & Shepherd, 2006) with a proactive, social constructivist perspective in which entrepreneurs consciously enact various types of ER behaviors to create emotional experiences for themselves and their stakeholders.

Finally, empirical research on ER has tended to focus on intra- and interpersonal level outcomes, while the (interaction) effects of ER on organizational outcomes have remained largely underexplored. Although scholars have examined generic mechanisms such as the selection of situation or behavior modulation (see Schutte et al., 2009), they have underspecified how ER behaviors occur in strategic change contexts such as entrepreneurship. Our study enriches the literature on ER by identifying specific types of ERS and ERO behaviors that are relevant for such contexts.

4.3 | Future research and conclusion

Our study raises a number of intriguing questions for future research. First, future research could make an even finer differentiation among ER behaviors and show how they matter to important outcomes. For example, regarding ERS (a) the ability to "always keep calm", (b) the ability to intentionally magnify or subdue emotions when needed, or (c) the ability to convert negative emotions to positive could have different effects on an entrepreneur's effectiveness in seizing business opportunities.[11] Second, since we focus on the role of managerial ER in seizing opportunities, one may wonder about the potential role of ER in sensing opportunities or reconfiguring the assets of established firms (Teece, 2007). In other words, what other emotion-related managerial behaviors could constitute affective underpinnings of dynamic managerial capabilities? And are these behaviors innate, acquired, learned, or developed? How do they interact with managerial cognitive capabilities (Helfat & Peteraf, 2015) to jointly and dynamically shape (or mobilize) the firm's resources and co-determine firm performance? Third, in this paper we observe (as affective underpinnings of dynamic

[11]We would like to thank an anonymous reviewer for providing this insight.

managerial capabilities) ER behaviors of entrepreneurial managers that are repeatedly deployed within the context of seizing an opportunity. However, we do not observe dynamic managerial capabilities directly, nor how they are deployed across various opportunities. Doing so could provide a valuable extension of our knowledge of the dynamic managerial capabilities concept. Fourth, how do ER behaviors play out in a top management team—are they generalizable from individual behaviors to team-level practices? More generally, how does a dynamic process view enrich our understanding of ER for resource mobilization to enact strategic change? Under which circumstances can entrepreneurial managers create virtuous resource mobilization cycles, and how can they avoid vicious cycles? How generalizable are our findings to other strategic change contexts and firm types (e.g., more established firms)? Qualitative, inductive, longitudinal process research may complement hypothesis-testing studies and other research methods for illuminating these issues.

To sum up, our study offers a rare close-up of patterns of ER behavior of entrepreneurial managers during the strategic change phase of opportunity seizing. Through the lens of ER our research shows how they seek to reduce the liability of newness, mobilize resources and create value by generating a variety of emotional experiences for themselves and other stakeholders. We further show how the psychological underpinnings of dynamic managerial capabilities interact with one another. We hope that our work will spark further research at the intersection of strategy, entrepreneurship, managerial cognition and emotion to enhance our understanding of the various underpinnings of dynamic managerial capabilities, and how these contribute to creating value and competitive advantage.

ACKNOWLEDGEMENTS

Both authors contributed equally to this article. We would like to thank Sharon Alvarez, Africa Ariño, Laurence Capron, Russ Coff, Hakan Ener, Fabrizio Ferraro, Melissa Graebner, Connie Helfat, Anita McGahan, Pinar Ozcan, Julia Prats, Claus Rerup, Joan Enric Ricart, Filipe Santos, Kaye Schoonhoven, Andrew Shipilov, Yuliya Snihur, Marco Tortoriello, Govert Vroom, and Maurizio Zollo for their feedback on earlier drafts of this paper. We gratefully acknowledge financial support from the Ministry of Science and Innovation of Spain (grants ECO 2009-12852 & ECO2012-38131). We would like to thank Cesar Guzman-Concha, Xenia Kouteva, and Wendy Smith for valuable research assistance, and Cristelle Meriel, Marie-Françoise Piquerez, and Silvia Munne Gustems for excellent administrative support

REFERENCES

Adner, R., & Helfat, C. E. (2003). Corporate effects and dynamic managerial capabilities. *Strategic Management Journal*, *24*(10), 1011–1025.

Amit, R., & Schoemaker, P. J. H. (1993). Strategic assets and organizational rent. *Strategic Management Journal*, *14*(1), 33–46.

Ashkanasy, N. M., Humphrey, R. H., & Huy, Q. N. (2017). Integrating emotions and affect in theories of management. *Academy of Management Review*, *42*(2), 175–189.

Baker, T., & Nelson, R. E. (2006). Creating something from nothing: Resource construction through entrepreneurial bricolage. *Administrative Science Quarterly*, *50*(3), 329–366.

Baron, R. A. (2008). The role of affect in the entrepreneurial process. *Academy of Management Review*, *33*(2), 328–340.

Baron, R. A., & Markman, G. D. (2003). Beyond social capital: The role of entrepreneurs' social competence in their financial success. *Journal of Business Venturing*, *18*(1), 41–61.

Barsade, S. G., Ward, A. J., Turner, J. D. R., & Sonnenfeld, J. A. (2000). To your heart's vontent: A model of affective diversity in top management teams. *Administrative Science Quarterly*, *45*(4), 802–836.

Blatt, R. (2009). Tough love: How communal schemas and contracting practices build relational capital in entrepreneurial teams. *Academy of Management Review*, *34*(3), 533–551.

Brown, S. L., & Eisenhardt, K. M. (1997). The art of continuous change: Linking complexity theory and time-paced evolution in relentlessly shifting organizations. *Administrative Science Quarterly*, *42*(1), 1–34.

Brundin, E., Patzelt, H., & Shepherd, D. A. (2008). Manager's emotional displays and employee's willingness to act entrepreneurially. *Journal of Business Venturing*, *23*, 221–243.

Cardon, M. S., Foo, M. D., Shepherd, D., & Wiklund, J. (2012). Exploring the heart: Entrepreneurial emotion is a hot topic. *Entrepreneurship Theory and Practice*, *36*(1), 1–10.

Cardon, M. S., Sudek, R., & Mitteness, C. (2009). The impact of perceived entrepreneurial passion on angel investing. *Frontiers of Entrepreneurship Research*, *29*(2), 1.

Chen, X.-P., Yao, X. I. N., & Kotha, S. (2009). Entrepreneur passion and preparedness in business plan presentations: A persuasion analysis of venture capitalists' funding decisions. *Academy of Management Journal*, *52*(1), 199–214.

Collewaert, V., Anseel, F., Crommerlinck, M., De Beuckelaer, A., & Vermeire, J. (2016). When passion fades: Disentangling the temporal dynamics of entrepreneurial passion for founding. *Journal of Management Studies*, *53*(6), 966–995.

Delgado-García, J. B., & De La Fuente-Sabaté, J. M. (2010). How do CEO emotions matter? Impact of CEO affective traits on strategic and performance conformity in the Spanish banking industry. *Strategic Management Journal*, *31*(5), 562–574.

Eggers, J., & Kaplan, S. (2013). Cognition and capabilities: A multi-level perspective. *Academy of Management Annals*, *7*(1), 293–338.

Eisenhardt, K. M. (1989). Building theories from case study research. *Academy of Management Review*, *14*(4), 532–550.

Eisenhardt, K. M., & Martin, J. A. (2000). Dynamic capabilities: What are they? *Strategic Management Journal*, *21*(10/11), 1105–1121.

Elfenbein, H. A. (2007). Emotion in organizations: A review and theoretical integration. *Academy of Management Annals*, *1*, 371–457.

Feldman, M. S. (2004). Resources in emerging structures and processes of change. *Organization Science*, *15*(3), 295–309.

Feldman, M. S., & Quick, K. S. (2009). Generating resources and energizing frameworks through inclusive public management. *International Public Management Journal*, *12*(2), 137–171.

Gielnik, M., Spitzmuller, M., Schmitt, A., Klemann, D., & Frese, M. (2015). “I put in effort, therefore I am passionate”: Investigating the path from effort to passion in entrepreneurship. *Academy of Management Journal*, *58*(4), 1012–1031.

Gimeno, J., Folta, T. B., Cooper, A. C., & Woo, C. Y. (1997). Survival of the fittest? Entrepreneurial human capital and the persistence of underperforming firms. *Administrative Science Quarterly*, *42*(4), 750.

Grandey, A. A. (2000). Emotion regulation in the workplace: A new way to conceptualize emotional labor. *Journal of Occupational Health Psychology*, *5*(1), 95–110.

Grant, A. (2013). Rocking the boat but keeping it steady: The role of emotion regulation in employee voice. *Academy of Management Journal*, *56*(6), 1703–1723.

Gross, J. J. (1998). Antecedent and response focused emotions regulation: Divergent consequences for experience, expression and physiology. *Journal of Personality and Social Psychology*, *74*(1), 224–237.

Gross, J. J. (2015). Emotion regulation: Current status and future prospects. *Psychological Inquiry*, *26*(1), 1–26.

Gross, J. J., & John, O. P. (2003). Individual differences in tow emotion regulation processes: Implications for affect, relationships and well-being. *Journal of Personality and Social Psychology*, *85*, 348–362.

Helfat, C., Finkelstein, S., Mitchell, W., Peteraf, M., Singh, H., Teece, D. J., & Winter, S. (2007). *Dynamic capabilities: Understanding strategic change in organisations*. Malden, MA: Blackwell Publishing.

Helfat, C., & Martin, J. (2015). Dynamic managerial capabilities: Review and assessment of managerial impact on strategic change. *Journal of Management*, *41*(5), 1281–1312.

Helfat, C., & Peteraf, M. (2015). Managerial cognitive capabilities and the microfoundations of dynamic capabilities. *Strategic Management Journal*, *36*(6), 831–850.

Helfat, C., & Winter, S. (2011). Untangling dynamic and operational capabilities: Strategy for the (n)ever-changing world. *Strategic Management Journal*, *32*(11), 1243–1250.

Hodgkinson, G. P., & Healey, M. P. (2011). Psychological foundations of dynamic capabilities: Reflexion and reflection in strategic management. *Strategic Management Journal*, *32*(13), 1500–1516.

Huber, G. P., & Power, D. J. (1985). Retrospective reports of strategic-level managers: Guidelines for increasing their accuracy. *Strategic Management Journal*, *6*(2), 171–180.

Humphrey, R. H., Pollack, J. M., & Hawver, T. (2008). Leading with emotional labor. *Journal of Managerial Psychology*, *23*(2), 151–168.

Huy, Q. N. (2002). Emotional balancing of organizational continuity and radical change: The contribution of middle managers. *Administrative Science Quarterly*, *47*(1), 31–69.

Huy, Q. N. (2011). How middle managers' group-focus emotions and social identities influence top-down implementation of a new strategy. *Strategic Management Journal*, *32*(13), 1387–1410.

Huy, Q. N., Corley, K. G., & Kraatz, M. S. (2014). From support to mutiny: Shifting legitimacy judgments and emotional reactions impacting the implementation of radical change. *Academy of Management Journal*, *57*(6), 1650–1680.

Jennings, J., Edwards, T., Jennings, P., & Delbridge, R. (2015). Emotional arousal and entrepreneurial outcomes: Combining qualitative methods to elaborate theory. *Journal of Business Venturing*, *30*, 113–130.

Joseph, D. L., & Newman, D. A. (2010). Emotional intelligence: An integrative meta-analysis and cascading model. *Journal of Applied Psychology*, *95*, 54–78.

Kaplan, S., Cortina, J., Ruark, G., LaPort, K., & Nivolaides, V. (2014). The role of organizational leaders in employee emotion management: A theoretical model. *The Leadership Quarterly*, *25*(3), 563–580.

Kor, Y. Y., & Mesko, A. (2013). Dynamic managerial capabilities: Configuration and orchestration of the top executives' capabilities and the firm's dominant logic. *Strategic Management Journal*, *34*(2), 233–244.
Lazarus, R. S. (1991). Progress on a cognitive-motivational-relational theory of emotion. *American Psychologist*, *46*(8), 819–834.
Martin, J., Knopoff, K., & Beckman, C. (1998). An alternative to bureaucratic impersonality and emotional labor: Bounded emotionality at the body shop. *Administrative Science Quarterly*, *43*(2), 429–469.
Mayer, J. D., Roberts, R. D., & Barsade, S. G. (2008). Human abilities: Emotional intelligence. *Annual Review of Psychology*, *58*, 507–536.
McMullen, J. S., & Shepherd, D. A. (2006). Entrepreneurial action and the role of uncertainty in the theory of the entrepreneur. *Academy of Management Review*, *31*(1), 132–152.
Miller, C. C., Cardinal, L. B., & Glick, W. H. (1997). Retrospective reports in organizational research: A reexamination of recent evidence. *Academy of Management Journal*, *40*(1), 189–204.
Penrose, E. T. (1995). *The theory of the growth of the firm* (3rd ed.). Oxford, England: Oxford University Press.
Robinson, M. D., & Clore, G. L. (2002). Episodic and semantic knowledge in emotional self-report: Evidence for two judgment processes. *Journal of Personality and Social Psychology*, *83*(1), 198–215.
Schutte, N. S., Manes, R. R., & Malouff, J. M. (2009). Antecedent-focused emotion regulation, response modulation and well-being. *Current Psychology*, *28*, 21–31.
Sirmon, D. G., Hitt, M. A., & Ireland, R. D. (2007). Managing firm resources in dynamic environments to create value: Looking inside the black box. *Academy of Management Review*, *32*(1), 273–292.
Sirmon, D. G., Hitt, M. A., Ireland, R. D., & Gilbert, B. A. (2011). Resource orchestration to create competitive advantage: Breadth, depth, and life cycle effects. *Journal of Management*, *37*, 1390–1412.
Stenholm, P., & Renko, M. (2016). Passionate bricoleurs and new venture survival. *Journal of Business Venturing*, *31*, 595–611.
Suchman, M. C. (1995). Managing legitimacy: Strategic and institutional approaches. *Academy of Management Review*, *20*(3), 571–610.
Teece, D. J. (2007). Explicating dynamic capabilities: The nature and microfoundations of (sustainable) enterprise performance. *Strategic Management Journal*, *28*(13), 1319–1350.
Teece, D. J. (2012). Dynamic capabilities: Routines versus entrepreneurial action. *Journal of Management Studies*, *49*, 1395–1401.
Teece, D. J., Pisano, G., & Shuen, A. (1997). Dynamic capabilities and strategic management. *Strategic Management Journal*, *18*(7), 509–533.
Tost, L. P. (2011). An integrative model of legitimacy judgments. *Academy of Management Review*, *36*(4), 686–710.
van Knippenberg, D., & van Kleef, G. A. (2016). Leadership and affect: Moving the hearts and minds of followers. *The Academy of Management Annals*, *10*(1), 799–840.
Walsh, J. (1995). Managerial and organizational cognition: Notes from a trip down memory lane. *Organization Science*, *6*(3), 280–321.
Wills, T. (1981). Downward comparison principles in social psychology. *Psychological Bulletin*, *90*, 245–271.
Wood, J., Michela, J., & Giordano, C. (2000). Downward comparison in everyday life: Reconciling self-enhancement models with the mood–cognition priming model. *Journal of Personality and Social Psychology*, *79*, 563–579.
Zollo, M., & Verona, G. (2011). Understanding the human side of dynamic capabilities: Towards a holistic model of antecedents and consequences of organizational change capacity. In M. Lyles & M. Easterby-Smith (Eds.), *Handbook of organizational knowledge and learning*. Malden, MA: Blackwell.
Zott, C. (2003). Dynamic capabilities and the emergence of intraindustry differential firm performance: Insights from a simulation study. *Strategic Management Journal*, *24*(2), 97–125.
Zott, C., & Amit, R. (2007). Business model design and the performance of entrepreneurial firms. *Organization Science*, *18*(2), 181–199.

SUPPORTING INFORMATION

Additional supporting information may be found online in the Supporting Information section at the end of the article.

How to cite this article: Huy Q, Zott C. Exploring the affective underpinnings of dynamic managerial capabilities: How managers' emotion regulation behaviors mobilize resources for their firms. *Strat Mgmt J*. 2019;40:28–54. https://doi.org/10.1002/smj.2971